8/7/78 [1]

Folder Citation: Collection: Office of Staff Secretary; Series: Presidential Files; Folder: 8/7/78 [1]; Container 87

To See Complete Finding Aid:
http://www.jimmycarterlibrary.gov/library/findingaids/Staff_Secretary.pdf

WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
Letter	Louis W. Truman to Pres. Carter, w/attachments 12 pp., re:personal matter	7/31/78	C

FILE LOCATION

Carter Presidential Papers-Staff Offices, Office of Staff Sec.-Presidential Handwriting File 8/7/78 [1] Box 98

RESTRICTION CODES

(A) Closed by Executive Order 12356 governing access to national security information.
(B) Closed by statute or by the agency which originated the document.
(C) Closed in accordance with restrictions contained in the donor's deed of gift.

THE PRESIDENT'S SCHEDULE

Monday - August 7, 1978

7:45	Dr. Zbigniew Brzezinski - The Oval Office.
8:15	Mr. Frank Moore - The Oval Office.
8:30 (10 min.)	Senator Kaneaster Hodges. (Mr. Frank Moore). The Oval Office.
9:00 (2 hrs.)	Cabinet Meeting. (Mr. Jack Watson). The Cabinet Room.
11:00	Mr. Jody Powell - The Oval Office.
1:30 (20 min.)	Mr. James McIntrye - The Oval Office.

THE WHITE HOUSE

WASHINGTON

7 August 1978

MEMORANDUM FOR
SECRETARY W. MICHAEL BLUMENTHAL
SECRETARY RAY MARSHALL
JIM MCINTYRE

Re: Your Memo Entitled, "Reorganization of Joint Authority of the Departments of Treasury and Labor under the Employee Retirement Income Security Act of 1974 (ERISA)"

The President reviewed your memorandum of August 2 on the above-referenced subject and has approved the ERISA reorganization proposal.

Rick Hutcheson

Rick Hutcheson
Staff Secretary

cc: Stu Eizenstat
Frank Moore
Richard Pettigrew
Jerry Rafshoon
Jody Powell

	FOR STAFFING
	FOR INFORMATION
X	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION -

top 2 pgs only

Jim McI - pls notify

	ADMIN CONFID
	CONFIDENTIAL
	SECRET
	EYES ONLY

ACTION	FYI	
		VICE PRESIDENT
X		EIZENSTAT
		JORDAN
		KRAFT
		LIPSHUTZ
	X	MOORE
		POWELL
		WATSON
		WEXLER
		BRZEZINSKI
X		MCINTYRE
		SCHULTZE

		ADAMS
		ANDRUS
		BELL
		BERGLAND
		BLUMENTHAL
		BROWN
		CALIFANO
		HARRIS
		KREPS
		MARSHALL
		SCHLESINGER
		STRAUSS
		VANCE

		ARAGON
		BOURNE
		BUTLER
		H. CARTER
		CLOUGH
		COSTANZA
		CRUIKSHANK
		FALLOWS
		FIRST LADY
		GAMMILL
		HARDEN
		HUTCHESON
		JAGODA
		LINDER
		MITCHELL
		MOE
		PETERSON
	X	PETTIGREW
		PRESS
	X	RAFSHOON
		SCHNEIDERS
		VOORDE
		WARREN
		WISE

Patti — memo to

Blum
Marshall
JM

Pres approved your
memo . . .

cc SE — also cc of his memo
FM
Pettigrew
JR
JLP

THE WHITE HOUSE
WASHINGTON

8/7/78

Mr. President:

Eizenstat and Pettigrew concur with Blumenthal, Marshall and McIntyre.

Watson and Congressional Liaison have no comment.

Stu's memo summarizes the ERISA reorganization proposal.

Rick

ok
J

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR: THE PRESIDENT

FROM: STU EIZENSTAT
ELLEN GOLDSTEIN

Stu

SUBJECT: MEMO ON ERISA REORGANIZATION

Secretaries Blumenthal and Marshall and OMB Director Jim McIntyre have sent you a memo requesting your approval for their ERISA reorganization proposal. This memo is a summary of their proposal.

The two major complaints leveled against ERISA since its enactment are the enormous paperwork requirements and the overlapping DOL and Treasury jurisdiction built into the Act. The jurisdictional problem has resulted in delays in processing applications and in issuing regulations required by the Act; almost half of the regulations required have not yet been issued. We are now ready to announce some significant paperwork simplification and reduction in ERISA reporting. The problem of eliminating or clarifying the jurisdictional problems cannot be solved administratively but rather through legislation or through reorganization authority.

There are two basic proposals for resolving the jurisdictional problems: consolidating ERISA functions in a new agency or dividing the jurisdiction between DOL and Treasury. Currently there are three bills in Congress that advance these ideas. The single agency proposal (H.R. 4340, S. 3017) is supported by Senators Javits and Williams and Congressmen Dent and Erlenborn. Senator Bentsen has introduced a bill (S. 2352) which proposes to divide the authority. None of these bills has the support needed for passage this session.

PRP's reorganization plan, developed after extensive consultations with members of Congress, labor and business groups, proposes a division of ERISA authority between DOL and Treasury that is agreeable to all. Like the Bentsen bill, it gives Treasury responsibility for setting plan minimum standards and DOL authority for fiduciary standards beneficial to plan participants. It has more support than Bentsen's bill because it:

- o Provides for an evaluation and report to the Congress on this interim resolution in two years;
- o Retains some veto power with DOL over IRS actions that are particularly important to collectively bargained plans; and
- o Maintains current enforcement responsibilities of the agencies. IRS will retain the power to levy tax penalties and DOL keeps the authority to seek civil enforcement.

Furthermore, the advantages to proposing a reorganization plan are:

- o it is less cumbersome than legislation; it will go only to the government operations committees and <u>not</u> the four tax and labor committees and therefore will provide no opportunity for amendments that would weaken ERISA:
- o it will speed up application procedures and the issuance of required regulations; and
- o it can be done immediately.

We recommend that you approve the reorganization plan. While it is not a comprehensive reform plan, it is a significant advancement. Comprehensive pension reforms, both public and private, will be studied by the Presidential Commission on Pension Policy. It is important, however, that OMB move immediately to name a chairman of this Commission.

DECISION:

__✓__ approve reorganization proposal (DPS, OMB, Treasury, Labor, Pettigrew)

______ disapprove

J

BLUMENTHAL,
MARSHALL & OMB
MEMO

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

2 AUG 1978

MEMORANDUM FOR THE PRESIDENT

FROM: W. Michael Blumenthal WMB
Ray Marshall Ray
James T. McIntyre Jim

SUBJECT: Reorganization of Joint Authority of the Departments of Treasury and Labor under the Employee Retirement Income Security Act of 1974 (ERISA)

This memorandum requests your decision on the use of a Reorganization Plan to resolve problems of overlapping jurisdiction between the Departments of Treasury and Labor under the Employee Retirement Income Security Act of 1974 (ERISA). If you agree with our recommendation to submit a reorganization plan in early August, it can be announced with new proposals for reduction in paperwork under ERISA and the naming of the Chairman of the Commission on Pension Policy. Together these efforts can comprise a significant pension policy and regulatory reform initiative.

<u>Part I</u> of this memorandum provides as background a brief description of the history and problems of ERISA.

<u>Part II</u> outlines the current proposals to respond to the administrative problems created by ERISA, describes the support for these proposals, and analyzes options for your decision.

<u>Part III</u> presents our recommendations to use the last reorganization plan "window" this summer to divide selected statutory authority under the Act between Treasury and Labor and to publicize this plan with the other pension reform initiatives now ready for announcement.

I. BACKGROUND

A. History

The Employee Retirement Income Security Act of 1974 sets standards for and regulates more than 1.75 million private sector pension and welfare plans for more than 70 million participants and beneficiaries. Private pension funds have $250 billion in assets and represent a major source of private sector investment for capital formation and economic growth. The law was the result of over a decade of debate about the problems of private pension plans, but many of the sections relating to administration of the law unfortunately were the result of last minute compromises between congressional labor and tax committees. The resulting bill, over 209 pages long, was highly technical and established a unique, statutory "dual jurisdiction" over administration of the Act. (A summary of the legislative history of dual jurisdiction and major provisions of ERISA is attached at Tab A.)

B. Administrative Problems

ERISA was widely hailed as a major step in securing the pension rights of workers, but it still is one of the most frequently criticized government programs. In the President's Reorganization Project survey of congressional casework, ERISA was identified as one of the 10 most frequent constituent complaints received by Members of Congress.

Charges have been made that dual jurisdiction has resulted in conflicting agency interpretations, bureaucratic run-arounds, delays in issuing necessary rules and regulations and burdensome reporting requirements. Dual jurisdiction itself has been criticized as a confusing administrative arrangement. Some critics claim that it is difficult to know who is finally responsible for regulating each statutory provision.

Specifically, the major complaints have been about:

o <u>Delays in processing applications for exemptions from prohibitions against certain transactions</u>.

ERISA permits exemptions to be made to the "prohibited transactions" provisions, and there are many cases in which good reasons exist for such exemptions. However, both the IRS and the Department of Labor must now approve exemptions, and this can cause substantial delay.

To date, only 485 final decisions have been made on 955 applications for exemptions, leaving a backlog of 470. The average length of time for processing an application is now 15 months and increasing; moreover, some applications have been held as long as three years.

o <u>Lengthy delays in issuing important regulations</u>.

The Departments have identified 215 regulation projects required by the statute. Although it is nearly four years since passage of the Act, more than half remain to be published. This administrative delay is caused in part by the complexity of the issues, but also by dual jurisdiction itself. Of the total 123 regulation projects that have yet to be published in final form, almost half are subject to dual jurisdiction.

o <u>Complex and duplicative reporting, disclosure and recordkeeping requirements</u>.

The Act requires as many as 20 separate report filings, depending on the type of pension plan involved. The Act also creates numerous internal recordkeeping and insurance requirements. (See Tab B for a list of these requirements.)

Of the three problems described above, only the third one, namely the paperwork problem, can be dealt with administratively. The Departments have taken substantial steps in the past year to correct this problem. The Departments are now prepared to propose additional changes in the filing and reporting requirements which will reduce further the paperwork burden, particularly on small businesses. (These prospective reforms and the departmental efforts in the last year to reduce paperwork are described in Tab C.)

The other two problems, namely the delays in issuing regulations and processing exemptions, are due largely to dual jurisdiction. Because of the way this law is written, these problems can only be remedied through congressional action--either by legislation or reorganization plan.

II. Alternative Courses of Action

A. Existing Proposals

There are currently under consideration four proposals designed to resolve dual jurisdiction problems. Three of these are bills before Congress, and the fourth is a reorganization plan developed jointly by the Departments of Labor and Treasury that we recommend you submit to the Congress in early August. (Tab D describes the three bills; Tab E describes the Departments' proposal.)

The four proposals embody two fundamentally different approaches. One approach would consolidate ERISA functions in a new agency. The other would resolve dual jurisdiction through a clear division of responsibility between the agencies.

The single agency approach is contained in H.R. 4340 submitted by Congressmen Dent and Erlenborn and in S.3017 submitted by Senators Javits and Williams. S.3017 would establish an independent agency. The Dent-Erlenborn bill would create an independent agency or attach ERISA functions to an existing agency. In both bills some responsibility for enforcement would remain with Labor and Treasury.

The division of jurisdiction approach is contained in S.2352, as submitted by Senator Bentsen, and in the Labor/Treasury proposal for a reorganization plan. Under a division of authority, Treasury would assume primary authority over the Act's provisions setting plan minimum standards required for tax qualification. The Department of Labor would assume primary authority over fiduciary provisions which ensure that plan assets are used solely in the interests of plan participants and would continue its authority over reporting and disclosure. In the enforcement area, unlike the Bentsen bill, the reorganization plan maintains the authority of the Internal Revenue Service to levy tax penalties and the authority of the Labor Department to impose civil penalties.

B. Support for Proposals

At this time none of the three bills has enough support to pass, since the four tax and labor committees which have jurisdiction over ERISA amendments (House Ways and Means and Education and Labor, and Senate Finance and Human Resources) have reached an impasse. The single agency bills are opposed by the tax committees, most of the business community and the Departments of Treasury and Labor because they fear that, in giving the new agency authority over tax provisions, the proposal would diminish the appropriate role of IRS in tax policy. Bentsen's bill, which divides jurisdiction, is opposed by the unions, by the labor committees, and by the two Departments because they feel that it provides too much independent jurisdiction by the IRS in areas of important labor policy.

There is widespread support, however, for the division of jurisdiction reorganization plan that we are recommending, because it includes three compromise features:

- <u>The departmental proposal contains a provision requiring evaluation of the division of authority in two years</u>.

  Consultation with the tax and labor committees and constituency groups found support for an interim division of authority. This will require an evaluation of both basic approaches after a period of experience with a clear division of responsibilities. The labor committees will not support a division of authority solution now unless it is interim and includes an evaluation provision.

  The Administration will be required to analyze the effects of this division of authority and to submit, at the end of the two-year period, our findings and any proposed long term changes -- either in the form of a reorganization plan or legislation.

- <u>The Department of Labor would retain a veto power over certain IRS actions that are particularly important to collectively bargained plans.</u>

  IRS regulations and public revenue rulings concerning plan minimum standards can be vetoed by the Labor Department. This feature recognizes the expertise of the Department of Labor in this area and is crucial to union support for the plan.

- <u>This proposal maintains the current enforcement responsibilities of the agencies.</u>

  Unlike the Bentsen bill, our proposal leaves power to levy tax penalties in the IRS and authority to seek civil enforcement in Labor.

C. <u>Options for Action Now</u>

The division of authority that we are recommending can be accomplished under reorganization plan authority, which is far less cumbersome than the process for legislation that involves four committees. A reorganization plan precludes any opportunity for substantive amendments that would weaken ERISA's protection of plan beneficiaries, and it can be implemented immediately.

Key Members of Congress and constituency groups support this proposal because of the compromise features described in the previous section and because, unlike legislation, it will result in immediate action. Therefore, the only courses of action that appear open to us at this time are to:

- Submit the reorganization plan, or

- Take no action.

The following section describes the benefits and risks of these two options:

<u>Benefits of proposing the division of jurisdiction reorganization plan.</u>

- The recommended division of authority will result in more efficient and understandable administration of ERISA: (See Tab F for details of the projected impact of the plan.)

-- The exemption procedure for prohibited transactions will no longer require that Treasury, in addition to Labor, analyze and grant requests. The Departments project that this will reduce by 50 percent the time required for granting exemptions.

-- Regulations in the minimum standards area and variances from these standards will no longer require Department of Labor review and approval. (Where collectively bargained plans are affected, Labor will retain a veto power in line with their established expertise.)

-- The Departments estimate that the division of jurisdiction will reduce the number of pending regulation projects by 20 percent and the number subject to dual jurisdiction by 74 percent.

o This proposal, particularly if announced as part of a larger reform package, will receive widespread support by groups eager to see improvements in the administration of ERISA.

-- The Departments have already taken steps to reduce paperwork and are prepared to propose regulations to simplify the forms for certain required disclosures and to announce the elimination of a major reporting requirement for all plans and a reduction in the annual reporting requirements for small plans. The announcement of these changes with the reorganization plan will be viewed as a simplification of ERISA requirements and regulations.

-- Similarly, the announcement of the naming of the Chairman of the Commission on Pension Policy, together with the plan and paperwork reforms, will constitute a substantial Administration initiative in pension policy that will be well received. The sunset provision after the two year life of the reorganization plan is compatible with the release of the Commission's recommendations and will permit a reasoned, comprehensive consideration of long-term solutions to dual jurisdiction.

-- The reorganization plan will receive support from labor and business groups as well as the tax and labor committees in the Congress.

- Reorganization is a particularly attractive mechanism for handling this legislative impasse.

  -- The legal staffs of the Departments have concluded that administrative action by executive agreement is insufficient to effect the needed changes, but that the Reorganization Act of 1977 permits these changes.

  -- A reorganization plan will be submitted only to the government operations committees, rather than transferred jointly to all four tax and labor committees, and is not subject to substantive amendment in committee or on the floor. Avoidance of the joint referral will save time, enable an earlier beginning to reduction of the administrative backlogs and prevent amendments to weaken ERISA's protection of beneficiaries.

<u>Risks of proposing the division of jurisdiction (benefits of taking no action)</u>:

- The reorganization plan may be criticized because it is not a comprehensive statutory reform.

- Even with an evaluation provision, the reorganization plan may be seen as a de facto permanent solution which avoids addressing some substantive pension issues. Under the reorganization power, we cannot legislate substantive changes in ERISA which some interest groups are seeking.

III. Recommendation

We recommend that the Administration submit a reorganization plan this summer to make a clear division of authority between the Departments of Labor and Treasury. This reorganization plan would restructure an administrative arrangement that has become a symbol of unnecessarily complex governmental regulation. The plan should accelerate the issuance of the remaining regulations under ERISA and reduce by one-half the time required for granting exemptions from the provisions against prohibited transactions.

This initiative should be publicized with the ERISA reporting reforms and the announcement of the Chairman of the Commission on Pension Policy. As a package, these three measures will be seen as a major initiative in pension policy and regulatory reform.

Substantial effort has gone into building a consensus for this proposal. Secretary Marshall has spoken with Congressmen Dent and Erlenborn and Senators Williams and Javits, who are the advocates of a single agency. Assistant Secretary of Treasury Lubick has spoken with Senator Bentsen, the sponsor of the bill dividing authority between the Departments. All have agreed to support a reorganization plan that provides for an interim division of authority with an evaluation provision. (See TAB G for a summary of these and other consultations.)

The disadvantages of submitting our recommendation are that critics may assert that it does not represent a comprehensive reform of ERISA and that it requires the Administration and the Congress to enact a longer term solution before the time of sunset. However, given the highly sensitive nature of this issue, and the current congressional impasse, even our critics will acknowledge this recommendation as a constructive, well-planned effort to address immediately a legislative problem that is severely affecting the pension community.

Decision

1. I agree with the recommendation of OMB, Treasury and Labor that we submit a reorganization plan.

2. I prefer to take no action.

Option 1 __________ (Recommended)

Option 2 __________

Comments:

THE WHITE HOUSE
WASHINGTON

August 3, 1978

To: Patty Maloomian

From: Jack Watson's Office

For your records.

WASHINGTON

GE

DATE: 03 AUG 78

FOR ACTION: STU EIZENSTAT

FRANK MOORE (LES FRANCIS)

1978 AUG 3 AM 11 57

JACK WATSON

RICHARD PETTIGREW

~~JERRY RAFSHOON~~

INFO ONLY: THE VICE PRESIDENT

JODY POWELL

ANNE WEXLER

SUBJECT: BLUMENTHAL MARSHALL MCINTYRE MEMO RE REORGANIZATION OF JOINT AUTHORITY OF THE DEPARTMENTS OF TREASURY AND LABOR UNDER EMPLOYMENT RETIREMENT INCOME SECURITY ACT OF 1974

++

\+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +

\+ BY: 1200 PM SATURDAY 05 AUG 78 +

++

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: ( ) I CONCUR. (X) NO COMMENT. ( ) HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

response phoned in 8-3-78 5:20 PM

✓	FOR STAFFING
	FOR INFORMATION
	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION -

		ADMIN CONFID
		CONFIDENTIAL
		SECRET
		EYES ONLY

ACTION	FYI	
	✓	VICE PRESIDENT
✓		EIZENSTAT
		JORDAN
		KRAFT
		LIPSHUTZ
✓		MOORE
	✓	POWELL
✓		WATSON
	✓	WEXLER
		BRZEZINSKI
		MCINTYRE
		SCHULTZE

		ADAMS
		ANDRUS
		BELL
		BERGLAND
		BLUMENTHAL
		BROWN
		CALIFANO
		HARRIS
		KREPS
		MARSHALL
		SCHLESINGER
		STRAUSS
		VANCE

		ARAGON
		BOURNE
		BUTLER
		H. CARTER
		CLOUGH
		COSTANZA
		CRUIKSHANK
		FALLOWS
		FIRST LADY
		GAMMILL
		HARDEN
		HUTCHESON
		JAGODA
		LINDER
		MITCHELL
		MOE
		PETERSON
✓		PETTIGREW
		PRESS
✓		RAFSHOON
		SCHNEIDERS
		VOORDE
		WARREN
		WISE

ID 784004

THE WHITE HOUSE

WASHINGTON

DATE: 03 AUG 78

FOR ACTION: STU EIZENSTAT | FRANK MOORE (LES FRANCIS)

JACK WATSON | RICHARD PETTIGREW

JERRY RAFSHOON

INFO ONLY: THE VICE PRESIDENT | JODY POWELL

ANNE WEXLER

SUBJECT: BLUMENTHAL MARSHALL MCINTYRE MEMO RE REORGANIZATION OF JOINT AUTHORITY OF THE DEPARTMENTS OF TREASURY AND LABOR UNDER EMPLOYMMENT RETIREMENT INCOME SECURITY ACT OF 1974

++++++++++++++++++++ ++++++++++++++++++++ ++++++++++++++++++++

\+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +

\+ BY: ~~1200 PM SATURDAY 05 AUG 78~~ +

Changed to: Immediate turnaround

++++++++++++++++++++ ++++++++++++++++++++ ++++++++++++++++++++

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: (✓) I CONCUR. ( ) NO COMMENT. ( ) HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

Based on our independent checking with them, all outside interest groups are strongly supportive.

ID 784004

THE WHITE HOUSE

WASHINGTON

Jay 343-7351

DATE: 03 AUG 78

FOR ACTION: STU EIZENSTAT

FRANK MOORE (LES FRANCIS)

JACK WATSON NC

RICHARD PETTIGREW

JERRY RAFSHOON

INFO ONLY: THE VICE PRESIDENT

JODY POWELL

ANNE WEXLER

SUBJECT: BLUMENTHAL MARSHALL MCINTYRE MEMO RE REORGANIZATION OF JOINT AUTHORITY OF THE DEPARTMENTS OF TREASURY AND LABOR UNDER EMPLOYMMENT RETIREMENT INCOME SECURITY ACT OF 1974

+++++++++++++++++++++ +++++++++++++++++++++ +++++++++++++++++++++

\+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +

\+ BY: 1200 PM ~~SATURDAY 05 AUG 78~~ 1 MM Tu +

+++++++++++++++++++++ +++++++++++++++++++++ +++++++++++++++++++++

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: ( ) I CONCUR. ( ) NO COMMENT. ( ) HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

ERISA LEGISLATIVE HISTORY

A

TAB A

LEGISLATIVE HISTORY

Formally, the Employee Retirement Income Security Act of 1974 (ERISA), P.L. 93-406, can be traced to the 1965 report[1/] of a Presidential committee which recommended that Federal standards be imposed on the private pension system. The origin of this recommendation was traced to the flow of complaints that were received from participants of specific private pension plans. Many individuals had to work substantial numbers of years and often had to reach a certain age before their pension credits vested (i.e., became nonforfeitable); others lost their pensions or received substantially reduced annuities because their plans were terminated without sufficient assets. In shaping the legislation, Congress was cognizant that no employer was required to provide a pension to its employees and tried to minimize any adverse effect that the legislation might have on the private pension system. But at the same time Congress was aware that the Welfare and Pension Plan Disclosure Act of 1958 (amended and strengthened in 1962) had failed to ensure the financial integrity of the pension funds.

A. Dual Jurisdiction

Dual jurisdiction has its roots in the legislative history of ERISA. After extended hearings by the Senate Labor Subcommittee, the full Labor and Public Welfare Committee reported out a private pension reform bill in 1972. Although the Labor and Public Welfare Committee studiously avoided any direct or indirect incursion in, revision or amendment of the Internal Revenue Code, the committee's bill nevertheless became ensnarled in an unusual legislative tangle between the labor and tax committees. Because the proposed legislation inevitably had to deal with tax questions to assure compatibility of administration and enforcement with existing Internal Revenue Code provisions, the Senate Finance Committee requested that the reported measure be referred to it. The Senate Finance Committee consequently asserted jurisdiction over certain tax-related matters and reported out its own measure. The complexity of the legislation and, in particular, the

---

1/ President Kennedy began this study in 1962.

existence of two bills from two different committees required extensive staff work to narrow and resolve the disputed issues before the bill could be presented before the Senate. The final bill presented for passage was an amalgam of the two bills reported separately by each committee. Jurisdiction over various pension matters was carefully divided and assigned to the department which appeared to be equipped historically and suited logically for those matters.

The House followed a different approach. The Education and Labor Committee had been conducting pension hearings and reported out its own measure. The Ways and Means Committee had also begun hearings and reported out its own bill. While the two committees attempted to make the common features of each measure conform as much as possible, they did not arrive at a joint substitute proposal. Rather, the independent bills were combined on the House floor as separate titles as a substitute for H.R. 2 - the pending House business. The Education and Labor bill became Title I and the Ways and Means bill became Title II. As the jurisdictional approach of the House was generally adopted by the conferees, the final legislation (P.L. 93-406) resulted in dual jurisdiction over many of the same substantive provisions.

B. General Provisions of ERISA

The two titles generally established minimum standards for pension plans and fiduciary standards for the trustees of plan assets. The following types of provisions are contained in the Act.

1. Minimum participation and vesting standards ensure that employees are not required to satisfy unreasonable age and service requirements before becoming eligible to participate in the plan and secure an absolute right to accrued benefits. As a minimum, an employee cannot be excluded from a plan on account of age or service if the employee is at least 25 years old and has worked for the employer one year. Once an employee is eligible to participate in the plan, the employee must secure immediately

an absolute right to receive benefits derived from employee contributions. With respect to employer contributions, the plan must meet one of four technical vesting standards (e.g., after 10 years of service participant has 100 percent right to any benefit accrued).

2. <u>Minimum funding standards</u> require that assets be set aside to assure that benefits can be paid when claims are made. Funding is based on actuarial cost standards. The funding instrument can take several forms: individual insurance or annuity contract, group permanent insurance contract, group deferred annuity contract and life insurance fund. Enforcement procedures permit the Secretary of Labor to enjoin any act or practice which violates the minimum standards provisions. The Secretary of the Treasury can disqualify a plan from tax exempt status for violations of minimum standards.

3. <u>Fiduciary standards</u> require that plans and plan assets be managed prudently and solely in the interest of participants. Certain transactions between plans and persons with conflicting self-interests are prohibited unless specifically exempted. An excise tax may be imposed on persons who violate prohibited transaction rules. Civil actions may also be brought for a breach of a fiduciary duty and a plan can be disqualifed from tax exempt status if not operated for the exclusive benefit of participants.

4. <u>Reporting and disclosure standards</u> ensure that plans disclose to participants and report to various Federal agencies information about plan provisions and financial status. Each plan must submit annually an audited financial statement, and defined benefit plans must also submit a a certified actuarial report. These reports must include a statement of plan

assets and liabilities, a statement of the transactions involving parties-in-interest and information on participation. Plan administrators must also furnish participants with a summary plan description (SPD) written in a manner calculated to be understood by the average person. The SPD contains a description of benefits, the requirements for eligibility and procedures for presenting claims for benefits. Governmental plans, church plans, workmen's compensation plans and nonresident alien plans are exempt from the SPD requirement. Annual report forms are simplified for small plans.

ERISA
REPORTING FORMS

B

ERISA REPORTING FORMS

The attached chart describes the several reporting forms required of employers under ERISA.

TAB B FORM	PENSION PLANS WITH 100 OR MORE PARTICIPANTS	PENSION PLANS WITH FEWER THAN 100 PARTICIPANTS	WELFARE PLANS WITH 100 OR MORE PARTICIPANTS	WELFARE PLANS WITH FEWER THAN 100 PARTICIPANTS 1	WELFARE PLANS WITH FEWER THAN 100 PARTICIPANTS 2
Schedule A Insurance Information	IRS-For insured plans, file as attachment to Form 5500.	IRS-For insured plans, file as attachment to Form 5500-C or 5500-K.	IRS-For insured plans, file as attachment to Form 5500.	IRS-For insured plans, file as attachment to Form 5500-C.	
Schedule B Actuarial Information	IRS-If subject to minimum funding standards, file with Form 5500.	IRS-If subject to minimum funding standards, file with Form 5500-C or 5500-K.			
Schedule SSA Identification of Separated Participants with Vested Benefits	IRS-If plan has participants with vested benefits separated during plan year, file with Form 5500.	IRS-If plan has participants with vested benefits separated during plan year, file with Form 5500-C or 5500-K.			
Summary Annual Report	P&B-9 months after close of plan year. Alternative for certain dues-financed plans, see section 2520.104-27.	P&B-9 months after close of plan year. Alternative for certain-dues financed plans, see section 2520. 104-27.	P&B-9 months after close of plan year. Alternative for certain dues-financed plans, see section 2520.104-26.**	P&B-9 months after close of plan year. Alternative for certain dues-financed plans, see section 2520. 104-26.	
Notice of Reportable Event or Intent to Terminate	PBGC-For defined benefit plans, file within 30 days after occurrence of reportable event/at least 10 days before proposed termination.	PBGC-For defined benefit plans, file within 30 days after occurrence of reportable event/at least 10 days before proposed termination.			
PBGC-1 Annual Premium Filing	PBGC-For defined benefit plans beginning in 1978 or thereafter, premiums are due no later than 7 months after close of prior plan year.	PBGC-For defined benefit plans beginning in 1978 or thereafter, premiums are due no later than 7 months after close of prior plan year.			

1/ Either totally funded or partially funded and partially insured (plans not entitled to exemption under 2520.104-20)

2/ Either unfunded, fully insured with insurance premiums being paid directly to an insurance company, or partially unfunded and partially insured (plans entitled to exemption under 2520.104-20)

* An extension may be obtained by filing Form 5558 with the IRS or by receiving an extension of employer's corporate tax return.

** Unfunded plans meeting definition in 2520.104-44 not required to furnish a summary annual report.

DOL - Department of Labor

IRS - Internal Revenue Service

PBGC - Pension Benefit Guaranty Corporation

P&B - Participants and Beneficiaries

TAB B FORM	PENSION PLANS WITH 100 OR MORE PARTICIPANTS	PENSION PLANS WITH FEWER THAN 100 PARTICIPANTS	WELFARE PLANS WITH 100 OR MORE PARTICIPANTS	WELFARE PLANS WITH FEWER THAN 100 PARTICIPANTS [1]	WELFARE PLANS WITH FEWER THAN 100 PARTICIPANTS [2]
EBS-1 Plan Description	DOL-Initial report within 120 days after plan is subject to ERISA.	DOL-Initial report within 120 days after plan is subject to ERISA.	DOL-Initial report within 120 days after plan is subject to ERISA.	DOL-Initial report within 120 days after plan is subject to ERISA.	
Summary Plan Description (or supplement if SPD already furnished)	DOL-Initial SPD within 120 days after plan is subject to ERISA. Alternative for certain dues-financed plans, see section 2520.104-27. Amended - a summary of material modification is due 210 days after end of plan year in which a change was made. P&B-same as for DOL. New participants within 90 days.	DOL-Initial SPD within 120 days after plan is subject to ERISA. Alternative for certain dues-financed plans, see section 2520.104-27. Amended-a summary of material modification is due 210 days after end of plan year in which a change was made. P&B-same as for DOL. New participants within 90 days.	DOL-Initial SPD within 120 days after plan is subject to ERISA. Alternative for certain dues-financed plans, see section 2520.104-26. Amended-a summary of material modification is due 210 days after end of plan year in which a change was made. Participants-same as for DOL. New participants within 90 days.	DOL-Initial SPD within 120 days after plan is subject to ERISA. Alternative for certain dues-financed plans, see section 2520.104-26. Amended-a summary of material modification is due 210 days after end of plan year in which a change was made. Participants-same as for DOL. New participants within 90 days after becoming covered by the plan.	Participants-Initial SPD within 120 days after plan is subject to ERISA. New participants within 90 days after becoming covered by the plan. Amended-a summary of material modification should be distributed within 210 days after end of plan year in which a change was made.
Annual Return/ Report Form 5500	IRS-7 months after end of plan year.* Alternative for certain dues-financed plans, see section 2520.104-27. Termination-to IRS 7 months after final distribution of assets - marked FINAL REPORT.		IRS-7 months after end of plan year.* Alternative for certain dues-financed plans, see section 2520.104-26. Termination-to IRS 7 months after final distribution of assets - marked FINAL REPORT.		
Annual Return/ Report Form 5500-C		IRS-7 months after end of plan year.* Alternative for certain dues-financed plans, see section 2520.104-27. Termination-to IRS 7 months after final distribution of assets - marked FINAL REPORT.		IRS-7 months after end of plan year.* Alternative for certain dues-financed plans, see section 2520.104-26. Termination-to IRS 7 months after final distribution of assets - marked FINAL REPORT	
Annual Return/ Report Form 5500-K		IRS-7 months after end of plan year if plan has an owner-employee as a participant.* Termination-to IRS 7 months after final distribution of assets - marked FINAL REPORT.			

ERISA
PAPERWORK REFORMS

C

ADMINISTRATION EFFORTS TO REDUCE ERISA REPORTING AND PAPERWORK BURDENS

I. Proposed Actions to Reduce Paperwork

The following administrative and paperwork reforms are ready for formal announcement and could be publicized with the plan as part of a major regulatory reform effort:

- Plan Descriptions. The Department of Labor has determined to eliminate entirely one form (EBS-1) by merging it into other statutorily required forms, which ask for much of the same information, thereby reducing paperwork. This form is six pages long and must be completed for all new plans. Moreover, the Department has discretionary power to require all 1.75 million plans to file it once every 10 years. In 1977, there were 40,000 EBS-1s filed. These filings would all be eliminated.

- Annual Report. The Department of Labor, the Internal Revenue Service and Pension Benefit Guaranty Corporation have agreed in principle that plans with fewer than 100 participants will need to file a full compliance annual return only once every three years and will file an abbreviated statement the other two years. The full compliance filings would be staggered so that the annual load on the agency would be reduced. Over 300,000 plans file this report annually now, and they would thereafter expend the time and cost of this filing only once every three years.

- Simplified Bond Purchase Plans. The Department of the Treasury is prepared to announce the introduction of a new, simplified retirement income plan for certain corporate employers that involves the purchase of United States Retirement Bonds in the names of employees. Under certain conditions, it can receive automatic tax qualification by the Internal Revenue Service.

  Adoption of this plan will greatly reduce the usual administrative fees and costs associated with the adoption and maintenance of qualified plans, because there are no drafting expenses, no need to file the plan with the Service, and no need to establish a trust for the plan. This reduces administrative costs of making investments and of determining benefit accruals and payments.

- Summary Annual Reports. Regulations will be proposed by the Department of Labor to replace the existing, complicated Summary Annual Report requirements with a simple format. The new format will require only the information that is necessary to conform with the statutory provisions.

- Benefits Statements. Department of Labor will issue proposed regulations in the near future providing a format for benefits statements required by sections 105 and 209 of ERISA. This will eliminate the uncertainty as to what is required by these provisions and will provide a simple, uniform format.

- Compliance Procedure. Compliance efforts to date have been extremely limited. Because both agencies will soon be undertaking a more extensive compliance program, they have developed a formalized coordinated compliance and litigation procedure. This coordination will benefit the Departments by assuring the unrestricted flow of information between the agencies from the time a case is identified for examination through possible litigation, and by reduction of duplication of effort. The procedure will also reduce the burden on plans by eliminating duplicative requests for information by two departments.

II. Administration Efforts to Reduce Reporting and Paperwork Burdens Last Year

The paperwork burden imposed by ERISA has been steadily declining since ERISA reports were first required--both because of reduced information requirements and because of increased cooperation between the Departments of Labor and Treasury and between them and the Pension Benefit Guaranty Corporation.

The reduction in paperwork has resulted from the total reexamination of every data element on each of the reports examined. This effort, spearheaded by the three agencies working with OMB clearance staff, resulted in the elimination of elements that were not specifically required by statute and were not absolutely required for the accomplishment of a responsibility established by the statute.

As a result of this work, the three major repetitive reporting systems, the annual report (DOL/IRS 5500 series), the summary plan description and EBS-1 (Labor) which are periodically required to be filed by the statute, and the annual premium filing report (PBGC-1) now account for about 4 million hours of paperwork--down from the over 9 million hours required by the first series of these ERISA reports. Setting aside start-up reports (the filing of EBS-1's by all plans), the original reporting system envisioned almost 6 million hours of reporting each year--about 50 percent more than the current level. Substantial progress has thus been made to date in reducing the paperwork burden.

The following efforts have not been publicized as a whole and represent significant work in the past year to respond to the business complaints about ERISA:

- An agreement signed by the agencies has consolidated several reports and reconciled differing statutory due dates. The IRS, Pension Benefit Guaranty Corporation, Labor Department and Social Security Administration agreed to a single information filing with the IRS which is expected to reduce plan filings by 600,000 per year. Formerly, both Labor and Treasury received a copy of a 5500 series annual report form on different time schedules. The IRS and the PBGC are exploring the potential for the total incorporation of the PBGC-1 into the DOL/IRS 5500. The PBGC plans to eliminate this form by incorporating all of its informational needs into the joint form as soon as substantive outstanding issues have been resolved.

- The plan description (EBS-1) (a statutorily required document which describes the plan provisions) was completely revised before 1977. The form now elicits "check box" answers rather than a narrative and can be efficiently analyzed by computer. The new format reduced preparation time from 10 to 3 hours for the average plan and is in fact now shorter than the comparable disclosure form used under the Welfare and Pension Plan Disclosure Act, which was superseded by ERISA. Over 1.5 million welfare plans were exempted from this simple filing. Last year the required filing of an amended EBS-1 within 60 days of every plan modification was eliminated by merging it with the statement of summary modification, which is another statutorily mandated form that calls for essentially the same information. This change should result in 100,000 fewer filings.

- The regulations to Summary Plan Description (which describes plan provisions in language understandable to plan participants and beneficiaries) have been rewritten to assure that previously distributed materials may be used to satisfy statutory reporting requirements. The Department of Labor has by regulation allowed SPDs to be delivered by second and third class mail and by personal delivery in the workplace, so as to enable plans to realize significant savings in distribution costs.

- Significant cost savings were also afforded by eliminating certain other reporting requirements relating to plan transactions asset information (e.g., book value disclosure and certain asset turnover data) believed to have little value to the Labor Department's enforcement branches when compared to the costs incurred by plans in compiling the data.

The Administration has also extended the following cost savings measures which were previously initiated:

(1) development of simplified annual report forms for small plans (with fewer than 100 participants) such that completion time decreased from 16 to 6 labor hours; (2) waiver for the same small plans of the requirements that a certified public accountant render an opinion on the plan's financial condition and operation for the previous year; (3) requirement of acturarial information only from plans subject to minimum funding; and (4) deleting of the requirement for reporting the underlying securities of banks' collective trusts and insurance companies' pooled separate accounts in which a plan has invested.

ANALYSIS OF
OTHER LEGISLATION

D

TAB D

Description and Analysis of Legislative Proposals

I. Description

A. S. 2352 (Bentsen) - "Pension Requirements Simplification Act"

- Places minimum vesting, participation and funding standards under the sole jurisdiction of the Department of Treasury.

- Places jurisdiction over prohibited transactions under the sole jurisdiction of Department of Labor. Employee Stock Ownership Plans (ESOPs) are to be regulated solely by the Department of Treasury (this exemption was recommended by Senator Long who has a special interest in ESOPs).

- Enforcement procedures are modified to accommodate these changes. The Department of Treasury takes over the power to assess civil penalties for violations of minimum standards (previously Treasury could only disqualify the plan from tax exempt status). The Department of Labor takes over the Department of Treasury's power to assess a 5 percent or 100 percent tax for violation of fiduciary obligation (the tax is renamed a civil penalty, even though the method of calculation is unchanged).

- Substantive changes in ERISA reporting requirements are included and now also proposed in a new separate bill (S. 3193) introduced by Bentsen.

B. S. 3017 (Williams, Javits) - "ERISA Improvements Act of 1978"

- Establishes a new Employee Benefits Commission, consolidating the ERISA functions of the Department of Labor, Department of Treasury (including tax exemption qualification) and Pension Benefits Guaranty Corporation. The President would appoint the chairman, vice-chairman and three members of the Commission from lists prepared by the Departments of Labor and Treasury.

- Proposes some substantive changes in ERISA rules:

  -- Removes employee's interests in benefit plans from the umbrella coverage of State and Federal securities laws.

  -- Encourages new plan startups and old plan improvements by offering a 5 percent tax credit on top of the normal deduction for plan contributions.

  -- Allows individuals covered by pension plans to make a limited tax deductible contribution to a retirement plan.

  -- Designs a prototype defined contribution plan which is exempted from certain reporting and fiduciary responsibility rules.

- Amends or codifies existing rules.

  -- Consolidates or eliminates certain reporting rules.

  -- Limits the fiduciary responsibility rules by narrowing the definition of party-in-interest and changing cofiduciary liability.

  -- Redefines "multi-employer plan."

  -- Suggests several changes in the minimum standards area.

C. H.R. 4340 (Dent, Erlenborn) "Employee Benefit Administration Act of 1977"

- Establishes an Employee Benefits Administration consolidating the functions of the Departments of Treasury and Labor. PBGC may also be transferred into this agency at the President's discretion. This new agency would be directed by a commission composed of the Secretaries of Labor and Treasury plus one other Presidential appointee.

- The IRS would request the Administration's determination of a plan's tax status. All enforcement remedies, plan disqualification, excise taxes, civil penalties, would be exercised by the Administration.

- There are no other substantive amendments of ERISA provisions.

D. Analysis

The two attached charts compare the effect of these proposals and the reorganization plan on dual jurisdiction and assess the four proposals on the basis of selected criteria.

Breakdown of Jurisdiction Under Various Proposals

Regulatory Area	Present Law	Dent/Erlenborn Bill HR 4340	Bentsen Bill S.2352	Williams/Javits S. 3017	DOT/DOL Memorandum
Prohibited Transactions	Dual DOL/DOT	Employee Benefits Administration	DOL except ESOPs solely to DOT	Employee Benefits Commission	DOL except ESOPs remain joint
Fiduciary Responsibility and Related Exclusive Benefit	Dual DOL/DOT	EBA	Unclear, not addressed	EBC	DOL; DOT only if coordinated or not overlapping with DOL
Participation, Vesting and Funding	Dual DOL/DOT	EBA	DOT	EBC	DOT except for DOL veto on collectively bargained plans
Reporting and Disclosure	Dual DOL/DOT (single forms)	EBA	Dual DOL/DOT	EBC	Dual DOL/DOT (single forms)
Taxability and Deductibility	DOT	Dual EBA/DOT	DOT	Dual EBC/DOT	DOT
PBGC	PBGC	EBA	PBGC	PBGC	PGBC
Enforcement Procedure	Dual DOL/DOT	Dual EBA/DOT (Reduced DOT)	DOT - minimum standards; DOL - fiduciary standards except ESOPs	Dual EBA/DOT (Reduced DOT)	Dual DOL/DOT
Substantive technical amendments	N/A	None	None	Numerous	None

Subjective Analysis of ͻposals

OPTIONS CRITERIA	Dent/Erlenborn H.R. 4340	Bentsen S. 2352	Williams/Javits S. 3017	DOL/DOT Memorandum
(1) Fast resolution of current administrative problems	No, delay due to opposing legislation and to relocating personnel	No, delay due to opposing legislation	No, delay due to opposing legislation and to relocating personnel	Yes
(2) Long term efficiency	Yes, expected reduction in personnel	Yes, but no personnel reduction	Yes, expected reduction in personnel	Yes, but unclear if personnel reduction
(3) Fosters development of comprehensive policy	Maybe, a first step at any rate	No	Yes, (as initiative only) contains innovative substantive amendments	Maybe, two-year life is compatible with Retirement Commission
(4) Effective coordination with tax and labor policy	No, sets up a new body with overlapping interests	Maybe, DOL loses control over minimum standards for colletively bargained plans; IRS audit force not used for prohibited transactions	No, sets up a new body with overlapping interests; substantive amendments are sketchy and not fully thought out or developed	Yes, two-year life and subsequent evaluation should assure effective coordination
(5) Minimized objections of affected parties	No, opposed by tax committees, business, DOL, DOT	No, opposed by labor committees, unions, DOT, DOL	No, opposed by tax committees, business, DOL, DOT	No known opposition
(6) Special considerations	Dent is retiring	Incorporates a "pet" provision of Senator Long (ESOPs)	Most comprehensive proposal, but also most hazardous because sketchy substantive amendments could impair employee rights and tax policy	Analyzed in depth at Tab E

DETAILS OF PROPOSAL

E

TAB E

Details of Proposed Reorganization

Attached is a chart that specifies how the agreement between the two departments would effect their respective responsibilities and the effective dates of the agreement. In general, the agreement:

- o Transfers to the Treasury, responsibilities relating to plan minimum standards;
- o Establishes a Labor veto over certain plan minimum standards important to collectively bargained plans;
- o Transfers to Labor responsibility for fiduciary standards and prohibited transactions; and
- o Retains each department's current powers for enforcement of the Act.

This chart is divided into sections on (I) minimum standards; (II) fiduciary provisions and prohibited transactions; (III) fiduciary standards and issuance of determination letter; (IV) plan disqualification for fiduciary standards; (V) enforcement; (VII) effective dates of reorganization agreement; and (VIII) coordination. In each section, the major provisions of the Act relating to that subject are divided according to whether statutory jurisdiction under the plan would be transferred from its current department, be transferred subject to veto by the other department, remain solely in its current department or remain jointly in both departments.

Also attached, following the chart, is a summary of the effect of the agreement on personnel transfers in accordance with the changes in jurisdiction.

Details of Proposed Reorganization

I. Minimum Standards (primary responsibility of Treasury)

Subject	IRC	ERISA
A. Transferred to Treasury		
Joint and survivor annuities (J)*	401(a)(11)	205
Merger and consolidation (J)	401(a)(12)	208
Assignment and alienation (J)	401(a)(13)	206(d)
Commencement of benefits (J)	401(a)(14)	206(a)
Social Security increases (J)	401(a)(15)	206(b)
Withdrawal of participant contributions (J)	401(a)(19)	206(c)
Plans exempted (J)	410(c)	201(3)(A)
Service for predecessor employer (J)	414(a)(1)	210(b)(1)
Accrual as plan maintenance (DOL)	--	204(f)
Definitions of:		
nonforfeitable (J)	411	3(19)
normal retirement benefit (J)	411(a)(9)	3(22)
accrued benefit (J)	411(a)(7)	3(23)
normal retirement age (J)	411(a)(8)	3(24)
vested liabilities (J)	412	3(25)
present value (J)	412	3(27)

*(J) indicates that current authority is joint

A. Continued	IRC	ERISA
normal service cost or (J) normal cost (DOT)	412	3(28)
accrued liability (J)	412	3(29)
unfunded accrued liability (J)	412	3(30)
advance funding actuarial cost method (J)	412	3(31)
B. Transferred to Treasury subject to 100-day DOL veto for collectively bargained plans		
Year of service for participation (D)*	410(a)(3)	202(a)(3)
Year of service for vesting (D)	411(a)(5)	203(b)(2)
One-year break in service (D)	411(a)(6)(A)	203(b)(3)(A)
Year of participation for benefit accrual (D)	411(b)(3)(A)	204(b)(3)(A)
Less than 1,000 hours of service for benefit accrual (D)	411(b)(3)(C)	204(b)(3)(C)
Year of participation for benefit accrual in seasonal industry (D)	411(b)(3)(D)	204(b)(3)(D)
Year of participation for benefit accrual in maritime industry (D)	411(b)(3)(E)	204(b)(3)(E)
Vesting and accrual for plans of more than one employer and collectively bargained plans (D)	413(b)(4) & (c)(3)	210(a)(2)

*(D) indicates that current authority is interdependent

B. Continued	IRC	ERISA
Retroactive plan amendments (D)	412(c)(8)	302(c)(8)
Extension of amortization periods (D)	412(e)	304(a)
Reasonable increases in plan liabilities (D)	412(f)(2)(A)	304(b)(2)(A)
Vesting variance (D)	--	207
C. Remain Solely DOL		
Definition of plans covered by part 2	--	201
Suspension of benefits	411(a)(3)(B)	203(a)(3)(B)
DOL recordkeeping and reporting	--	209
Definition of plans covered by part 3	--	301(a)
Definition of collectively bargained plan	404(a)(1)(B), (C)	--
Definition of collective bargining agreement--air pilots	410(b)(2)(B)	--
Definition of collective bargaining agreement	410(b)(2)(A), 413(a)(1)	--
D. Remain Joint		
Plan administrator (J)	414(g)	3(16)(A)
Governmental plan (J)	414(d)	3(32)
Church plan (J)	414(e)	3(33)
Defined contribution plan (J)	414(i)	3(34)
Defined benefit plan (J)	414(j)	3(35)(A)

D. Continued	IRC	ERISA
Combination Plans (J)	414(k)	3(35)(B)
Definition of multi-employer Plan (J)	414(f)	3(37)
Puerto Rican plans (J)	401, 501	1022(i)

II. Fiduciary Standards and Prohibited Transactions

Subject	IRC	ERISA
A. Transferred to DOL		
Definition of prohibited transaction (J)	4975(c)(1)	406(a), (b)
Exemption procedure (J)	4975(c)(2)	408(a)
Statutory exemptions (J) (except for ESOPs, as noted in D below)	4975(d)	408(b)
Definition of disqualified person (IRC) and party in interest (J)	4975(e)(2)	3(14)
Definition of fiduciary (J)	4975(e)(3)	3(21)
Stockholdings	4975(e)(4)	--
Partnerships	4975(e)(5)	--
Member of family (J)	4975(e)(6)	3(15)
Sale or exchange (J)	4975(f)(3)	406(c)
Application of section (J)	4975(g)	401(b), 4(b)
Delayed effective dates for 4975(J) (except as noted in C below)	--	2003(c) (DOT) 414 (DOL)

Subject	IRC	ERISA
B. Transferred to DOL except to extent necessary for enforcement of taxes		(see 3003)
Joint and several liability	4975(f)(1)	--
Definition of taxable period	4975(f)(2)	--
Definition of amount involved	4755(f)(4)	--
Definition of correction	4975(f)(5)	--
Definition of correction period	4975(f)(6)	--
C. Remain Solely Treasury		
Initial taxes	4975(a)	--
Additional taxes	4975(b)	--
Special IRA rule	4975(c)(3)	--
Definition of tax qualified plan	4975(e)(1)	--
Eligible individual account plans	4975 (no exclusion)	404(c) excludes them from DOL
Election by pre-ERISA plan of post-ERISA tax (DOT)	503	2003(c)(1)(B) (DOT)
D. Remain Joint		
Loans to ESOPs (J)	4975(d)(3)	408(b)(3)
Definition of ESOP (J)	4975(e)(7)	407(d)(6)

	IRC	ERISA
III. Fiduciary Standards and the Issuance of Determination Letter (Overlapping Treasury and DOL responsiblity)		
Prohibition of Treasury determination regarding DOL fiduciary standards	401 ff (esp. 401 (a)(2))	401-414
IV. Plan Disqualification by Treasury for Fiduciary Standards (Overlapping Responsibility)		
Prohibition of Treasury disqualification of plan until after Treasury notice to DOL and 100-day period or Labor certification (except in case of National IRS approval of termination or assessment)	401(a) (esp. 401(a)(2))	401-414
V. Enforcement		
A. Labor (remains solely Labor) Enforcement powers unaffected but bound by Treasury rules transferred in I above	--	502, Title III (to extent DOL)
B. Treasury (remains solely Treasury) Enforcement powers unaffected except as specified in III and IV above but bound by DOL rules under transfers in II above	4975(a), (b) 401	502(b)(1), (h) (DOT) Title III (to extent DOT)
VII. Effective Dates		
Transfers effective 1st day of 7th calendar month after President signs plan	--	--
Transfers evaluated two years after date transfers effective. Evaluation report and recommendation submitted to Congress at that time.	--	--

VII. Coordination	IRC	ERISA
Coordination under ERISA and other procedures for coordination may be continued and developed.	--	Title III

EFFECT OF AGREEMENT ON PERSONNEL

The total transfer of personnel is slightly more than eight staff years to the Department of Labor from the Internal Revenue Service. It is estimated that the IRS National Office prohibited transactions workload will be reduced by approximately 75 percent, which translates to 7.5 staff years. In addition, there will be a net decrease in staff assigned to regulations projects (1.3 staff years reduction due to prohibited transactions regulations shifted to DOL, and an increase of 0.5 staff years due to reallocation to IRS of minimum standards regulations).

The following schedule describes these changes.

I. Reduction of IRS National Office Prohibited Transactions Workload Attributable to Memorandum of Understanding

- o Total Case Time Projected for FY 78 (based on first six months under current responsibilities): 20,806 hours

- o Projected Case Time for Responsibilities to be Transferred:

Exemption hours	10,560	
Rulings hours	2,520	
Congressional correspondence	225	
Technical study projects	200	
	13,505	
Related review and conference	1,668	
	15,173	hours total processing time and review for exemptions, rulings, etc. impacted by Memorandum

Less: 25 percent for retained jurisdiction over compliance (e.g., tax on "amount involved"), ESOPs, IRAs, directed investments	- 4,793	
	11,380	direct staff hours
Plus: Indirect staff hours (includes managerial hours expended coordinating IRS-DOL policy)	3,793	
	11,173	total staff hours

o <u>Conversion to Staff Years</u>

$\frac{15,173}{2,024}$ Total staff hours / staff hours in staff year (253 workdays) = 7.5 staff years (reduction in staffing)

II. <u>Reduction of IRS Chief Counsel Workload Attributable to Memorandum of Understanding</u>

o Increased staff years by reason of assuming responsibility for developing final regulations on minimum standards	.05
o Decrease staff years attributable to the transfer of regulations drafting responsibility - prohibited transaction	1.3
Net decrease staff years	.8

IMPACT OF PROPOSAL

IMPACT OF REORGANIZATION

I. Exemption Processing: (DOL and IRS)

Number Pending			Current Average Processing Time			Projected Processing Time After Reorganization	
FY 76	FY 77	FY 78	FY 76	FY 77	FY 78	FY 79	FY 80
433	426	480	9 mo.	12 mo.	15 mo.	10 mo.	8 mo.

II. Regulations (DOL and IRS)

	Number Final 2/ through 7/15/78 (subject to dual jurisdiction)	Without Reorganization Projected Identifiable Projects Pending as of 7/16/78 (subject to dual jurisdiction)	With Reorganization Projected Identifiable Projects Pending as of 7/16/78 3/ (subject to dual jurisdiction)
DOL	48 (22)	76 (40)	57 (8)
IRS	44 (16)	47 (17)	41 (7) [6] 4/
TOTAL	92 (38)	123 (57)	98 (15) [6]

1/ Based upon actual experience for the first seven months of FY 78. The time period for processing requests has increased because the backlog has risen somewhat, the requests have been awaiting action for a longer period, and the number of applications for individual exemption which can be resolved by class exemptions has decreased.

2/ IRS number includes temporary regulations.

3/ Reduction in numbers with reorganization caused by consolidation of duplicate projects identifiable for both DOL and IRS into one project in one agency.

4/ Number in brackets represents number transferred to DOT subject to DOL veto power.

III. 3001 Determinations (DOL only)

Number Pending			Current Average Processing Time			Projected Processing Time After Reorganization	
FY 76	FY 77	FY 78	FY 76	FY 77	FY 78	FY 79	FY 80
N/A	191	137	N/A	3 mo.	2 mo.	2 mo.	2 mo.

IV. Advisory Opinions: (DOL only)

Number Pending			Current Average Processing Time			Projected Processing Time After Reorganization	
FY 78	FY 77	FY 78	FY 76	FY 77	FY 78	FY 79	FY 80
200	342	350	6 mo.	6 mo.[5/]	6 mo.[5/]	5 mo.	5 mo.

5/ Although the backlog increases somewhat, the processing time remains the same due to an increase in the number of advisory opinions issued.

POLITICAL CONSULTATION

G

POLITICAL CONSULTATIONS

Representatives of the Departments of Labor and Treasury have met with the key Members of Congress on both the tax and labor committees and selected representatives of the business and labor community concerned with ERISA. If the plan contains a sunset provision, it will relieve widespread general support because it is seen as an improvement in the complicated administrative structure of ERISA regulation that can be implemented immediately. Although some skepticism will probably emerge about the ability of the Departments to reduce substantially the paperwork burden and delays in making rulings, there is no known congressional opposition to the plan. In fact, the prospect of a solution to the dual jurisdiction problem has removed an area of dispute between the labor and tax committees and led to cooperation on other aspects of ERISA that was not previously forthcoming.

A. Congressional Contacts

1. Senate

A. Finance Committee

Bentsen: Treasury representatives met with Senator Bentsen on May 25. The Senator indicated continued interest in enacting his own bill which has been reported by the Finance Committee. The Senator's staff called Assistant Secretary Lubick on June 5 to state that Bentsen will support the Reorganization proposal. In addition, he has asked us to consider the paperwork proposals which he introduced as a separate bill (S. 3193).

Long: Treasury representatives have briefed the Senator's staff and provided him a summary of the plan's provisions. We have not received a definite statement of approval, but understand that, if other Senators (particularly Bentsen) support the proposal, he will not object.

Nelson: Treasury representatives met with Senator Nelson on May 26. (The Senator was mainly interested in the impact of the plan on small businesses and in reporting requirements. We indicated that the Reorganization Plan did not affect these matters, but that we are working in other ways to try to reduce the burden.) Nelson indicated that our approach was satisfactory.

B. Human Resources Committee

Williams and Javits: Secretary Marshall discussed the reorganization proposal with the Senators in June. Both Senators agreed to support the plan as an interim solution to dual jurisdiction, if it contains a sunset provision to guarantee consideration of the single agency approach at a later point in time. Senator Javits suggested that the sunset provision operate in April 1980. Both Senators will support the consolidation of most ERISA provisions under the jurisdiction of a single agency, as a long term solution. Secretary Marshall discussed the sunset provision with the Senators again in July. At that time the Senators agreed to changing the sunset provision to an evaluation with a commitment to submit recommendations for any changes at that time.

C. Governmental Affairs

Ribicoff: Treasury representatives talked with the Senator's staff and the President's Reorganization Project has spoken to the staff of the Governmental Affairs Committee. Because there has been an agreement to accept one more reorganization plan this year, we expect no objection, although there has not been extensive contact with the Committee on this particular issue.

2. House

A. Education and Labor

Dent and Erlenborn: Secretary Marshall and other officials met with Chairman Dent and ranking minority member Erlenborn prior to the Secretary's testimony before the Subcommittee on Labor Standards on May 17, 1978. In that meeting both Dent and Erlenborn indicated that they would support the Secretary's initiative regarding dual jurisdiction, if the solution has a sunset provision. Both expressed a preference for their single agency proposal as outlined in H.R. 4340 in the long term. During the hearing, however, both publicly expressed support for the plan and praised the initiative as a substantial improvement. In conversations in July, Chairman Dent told the Secretary that he would support changing the sunset provision to a requirement for an evaluation and further recommendations in two years. Congressman Erlenborn had indicated to Secretary Marshall, Chairman Brooks and Harrison Wellford of OMB, that he will not oppose the plan although he would prefer a sunset provision.

B. Ways and Means Committee

Pickle: Treasury representatives met with Pickle on June 2. Pickle, apparently because of his involvement with Central States Teamsters, is concerned about loss of IRS enforcement authority in prohibited transactions area. He, therefore, clearly prefers the reorganization proposal over either the single agency approach or the Bentsen bill.

Conable: Conable initially indicated to Treasury his support for a separate agency, but after some discussion, said that he would not oppose our proposal.

Gibbons: Gibbons will support the reorganization proposal, if IRS plays a major enforcement role (as it will under the plan). He is strongly opposed to a new agency.

Ullman: Treasury representatives met with the Joint Tax Committee staff (Shapiro, McConaghy, Lieber, Stranger, Rollins and Allen). Staff had no problems with our proposal and offered their help.

C. Government Operations

Brooks: The Reorganization staff spoke with the staff of the Government Operations Committee. They indicated that Brooks is receptive to the plan but only if it eliminated a sunset provision that would cause the situation to revert to the current unsatisfactory arrangement after two years. He was agreeable to a commitment to evaluate the experiences in two years and to submit any recommended changes at that time.

B. Interest Groups

The two major interest groups are the Employers Retirement Income Committee (ERIC) and the National Coordinating Committee on Multi-Employer Plans (NCCMP). ERIC represents large businesses and contains in its membership both the Chamber of Commerce and the Business Roundtable. NCCMP is composed mostly of construction unions which negotiate a single pension plan in a certain area for several employers.

Both Labor and Treasury representatives have had conversations with the Director of ERIC. He said that he definitely opposes a single agency and will strongly support our division of authority. He sees it as an opportunity to delay consideration of a single agency.

Other business interest groups have indicated support for the plan. The large life insurance companies are decidedly enthusiastic. Groups representing smaller insurance companies and banks find the proposal satisfactory but will not likely get involved in congressional consideration of the plan. Some groups have reservations about the degree of improvement under the plan, but are impressed that the plan can be implemented, and consequently tested, very quickly.

Department of Labor representatives have had extensive contact with NCCMP and its director indicated during negotiations on the plan's provision that the NCCMP will support the plan.

The Reorganization and Labor staffs have spoken with Tom Donahue of AFL-CIO and he indicates that they will also support the plan.

Some pension rights groups have stated preferences for a single agency, but have said that they will not oppose the plan.

The Departments of Labor and Treasury have assured the Reorganization Project that several businesses and labor groups will publicly support the plan and none will oppose it publicly.

Nell

THE WHITE HOUSE
WASHINGTON

8/7/78

Mr. President:

J. Solomon has requested an appointment on a personal basis on the Griffin matter. Hamilton feels it is time for you to remove yourself from this situation.

_____ approve meeting

_____ handle by phone

✓ ask the VP to see J.

_____________________ other

Phil

J

THE WHITE HOUSE
WASHINGTON

August 7, 1978

Jim McIntyre

The attached was returned in the President's outbox. It is forwarded to you for appropriate handling.

Rick Hutcheson

cc: Bob Strauss
Stu Eizenstat Landon Butler
Jody Powell
Jack Watson
Charlie Schultze
Jerry Rafshoon

CUTS IN TRAVEL COSTS

	FOR STAFFING
	FOR INFORMATION
✓	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION -

		ADMIN CONFID
		CONFIDENTIAL
		SECRET
		EYES ONLY

ACTION	FYI	
		VICE PRESIDENT
	✓	EIZENSTAT
		JORDAN
		KRAFT
		LIPSHUTZ
		MOORE
	✓	POWELL
	✓	WATSON
		WEXLER
		BRZEZINSKI
✓		MCINTYRE
	✓	SCHULTZE
		ADAMS
		ANDRUS
		BELL
		BERGLAND
		BLUMENTHAL
		BROWN
		CALIFANO
		HARRIS
		KREPS
		MARSHALL
		SCHLESINGER
	✓	STRAUSS
		VANCE

		ARAGON
		BOURNE
	✓	BUTLER
		H. CARTER
		CLOUGH
		COSTANZA
		CRUIKSHANK
		FALLOWS
		FIRST LADY
		GAMMILL
		HARDEN
		HUTCHESON
		JAGODA
		LINDER
		MITCHELL
		MOE
		PETERSON
		PETTIGREW
		PRESS
	✓	RAFSHOON
		SCHNEIDERS
		VOORDE
		WARREN
		WISE

THE WHITE HOUSE
WASHINGTON

8/7/78

Mr. President:

Schultze and Watson concur with McIntyre.

No comment from Eizenstat.

Rick

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

C

3 AUG 1978

ACTION

MEMORANDUM FOR: THE PRESIDENT

FROM: Jim McIntyre Jim

SUBJECT: Cuts in Travel Costs

You asked that we work on Bob Strauss' suggestion that travel expenses be cut by 20 to 25 percent. We agree that travel should be reduced as part of the anti-inflation effort but suggest that the across-the-board cut be applied to administrative travel and not to travel related to operations. Travel related to operations will be reduced to the practical minimum during an intensive review of operating costs that is currently under way and that will be continued as part of the 1980 budget review.

Prior to getting Bob's suggestion, we had received a request from GSA for OMB clearance of a legislative proposal to increase the statutory maximum per diem rates for Federal civilian employees on official Government travel. Consistent with our efforts to reduce travel costs, we believe that the Administration should not clear the proposed legislation at this time. I agree

Travel cut

The budget estimates $3 billion for travel costs in fiscal year 1979. Of this total, $1.8 billion, or 60 percent, is for the Defense Department ($0.5 billion for military permanent change of station (PCS)). Because much of DOD travel is closely related to military operations, a substantial cutback is likely to have an adverse effect on readiness and national security, particularly since DOD has already taken steps to reduce the movement of military personnel.

Of the remaining $1.2 billion for travel, the use of more than $700 million is planned in just seven agencies: Agriculture, $132 million; HEW, $110 million; Transportation, $110 million ($55 million in Federal Aviation Administration); Treasury, $109 million ($60 million in Internal Revenue Service); Veterans Administration, $98 million; Interior, $78 million; and Justice, $66 million.

An experience of a few years ago with a large travel cut imposed by the Congress suggests that we need to take into account the program effects of a major decrease in travel. In 1974, the Congress required a 10 percent reduction below the previous year's travel. Two months later, the cut was repealed because, in the words of the Senate Appropriations Committee Chairman, it was "causing such unanticipated and unintended results that many programs and functions will have to cease." What was learned during that experience was that this kind of a blanket percentage cut in travel reduces the effectiveness of crime control functions like the Internal Revenue Service, the FBI, Customs and Secret Service agents and U. S. Marshals. It affects safety programs in transportation, mining, occupational health and safety and environmental functions. Audit detection of abuse is also affected, as well as PCS for the military.

Reductions in travel are also subject to the Impoundment Control Act, particularly travel for specific program purposes. Rescission reports would be required whenever significant savings result from the reductions. There is reason to doubt that the Congress would approve rescissions in most cases involving program travel, thereby requiring removal of the travel restrictions. We are concerned, therefore, that any blanket policy might be largely reversed in a way that would affect the Administration's credibility.

In May, I sent instructions to the agencies requiring them to minimize travel costs, particularly by reducing trips to conferences and avoiding first class air travel. We intend to follow up on this action and to insist upon travel economy in 1979 and, as I noted above, make an intensive review of operating costs--including travel--as part of the 1980 budget review.

We recommend that a 20 percent cut in fiscal year 1979 be directed, but that travel that is necessary to accomplish operational missions (i.e., for program purposes) be exempted. The reduction would therefore be limited to travel for administrative purposes. Preliminary estimates indicate that the 20 percent cut could reduce administrative travel by $60 - $75 million.

Decision

___✓___ Agree.

________ Disagree, apply cut to all travel.

________ See me.

J

ID 784028 T H E W H I T E H O U S E

WASHINGTON

DATE: 04 AUG 78

FOR ACTION: STU EIZENSTAT ne JERRY RAFSHOON

LANDON BUTLER JACK WATSON concur

CHARLIE SCHULTZE Concurs by phone

Rick — let's get this one done

INFO ONLY: THE VICE PRESIDENT JODY POWELL

ANNE WEXLER ZBIG BRZEZINSKI

BOB STRAUSS

SUBJECT: MCINYRE MEMO RE CUTS IN TRAVEL COSTS

+++++++++++++++++++++ +++++++++++++++++++++ +++++++++++++++++++++

\+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +

\+ BY: 1200 PM MONDAY 07 AUG 78 +

+++++++++++++++++++++ +++++++++++++++++++++ +++++++++++++++++++++

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: ( ) I CONCUR. ( ) NO COMMENT. ( ) HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

C

August 5, 1978

MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze CLS

Subject: German Stimulus Package

The German commitment at the Bonn Summit was to undertake substantial stimulative actions of "up to 1 percent of the gross national product." In its meeting of July 26-28, the German Cabinet approved a set of tax reductions and expenditure increases for 1979, which broadly conform to the letter and the spirit of that commitment. These measures, however, must be voted on by both houses of the German Parliament, so that the final package may well differ from the one proposed.

The major measures proposed by the German Cabinet break down as follows:

	Effect for 1979
A. Expenditure increase	DM 4.7 billion
B. Tax changes (+ are tax cuts, - are tax increases)	
1. Income tax changes	DM 10.9
2. Value added tax increase (effective mid-1979)	DM -2.5
C. Total effect	DM 13.1 billion
As % of GNP	1 percent

Comments

1. Our analysis suggests that the increase in budgeted government expenditures for 1979 over and above GNP growth is about 2 billion DM. Correspondingly, the size of the package in relation to gross national product is closer to 0.8 rather than 1 percent of GNP.

2. Our preliminary judgment is that the proposed package will generate some rise in German growth in 1979 as compared to the weak growth (2.5 to 3.0 percent) now expected for this year.

3. We cannot, of course, expect that this action, by itself, will produce rapid recovery in Europe or the world economy. The process of world recovery will be a long and arduous one.

4. Nonetheless, the German move is <u>an important first step in implementing the Summit commitments</u>. It almost certainly would <u>not</u> have occurred without the Bonn spirit of concerted action.

5. Henry Owen and I both feel we should express our appreciation to Schmidt and his colleagues that they have taken this essential step.

ID 784064

THE WHITE HOUSE

WASHINGTON

DATE: 07 AUG 78

FOR ACTION:

INFO ONLY: THE VICE PRESIDENT   STU EIZENSTAT

ZBIG BRZEZINSKI

SUBJECT: SCHULTZE MEMO RE GERMAN STIMULUS PACKAGE

+++

+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +

+ BY: +

+++

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: ( ) I CONCUR. ( ) NO COMMENT. ( ) HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

THE WHITE HOUSE
WASHINGTON

August 7, 1978

Bob Lipshutz

The attached was returned in the President's outbox. It is forwarded to you for your information.

Rick Hutcheson

	FOR STAFFING
	FOR INFORMATION
✓	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION -

		ADMIN CONFID
		CONFIDENTIAL
		SECRET
		EYES ONLY

ACTION	FYI	
		VICE PRESIDENT
		EIZENSTAT
		JORDAN
		KRAFT
✓		LIPSHUTZ
		MOORE
		POWELL
		WATSON
		WEXLER
		BRZEZINSKI
		MCINTYRE
		SCHULTZE

		ADAMS
		ANDRUS
		BELL
		BERGLAND
		BLUMENTHAL
		BROWN
		CALIFANO
		HARRIS
		KREPS
		MARSHALL
		SCHLESINGER
		STRAUSS
		VANCE

		ARAGON
		BOURNE
		BUTLER
		H. CARTER
		CLOUGH
		COSTANZA
		CRUIKSHANK
		FALLOWS
		FIRST LADY
		GAMMILL
		HARDEN
		HUTCHESON
		JAGODA
		LINDER
		MITCHELL
		MOE
		PETERSON
		PETTIGREW
		PRESS
		RAFSHOON
		SCHNEIDERS
		VOORDE
		WARREN
		WISE

THE WHITE HOUSE

WASHINGTON

August 4, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: ROBERT LIPSHUTZ

SUBJECT: Denial of Pardons for Bernard L. Barker, Frank A. Sturgis, Eugenio R. Martinez, and Virgilio R. Gonzalez

The above four individuals have applied for Presidential pardons for 1973 Federal burglary, wiretapping and conspiracy convictions stemming from their participation in the 1972 break-in of the Democratic National Committee Headquarters at Watergate.

Following regular procedures, the Deputy Attorney General has reviewed the applications and submitted a report to you recommending their denial. Judge Bell is aware of this recommendation. The Deputy Attorney General believes that the criminal activity of these individuals was very serious and that it is too early to pardon them. We agree.

With the exception of the unusual pardon granted to former President Nixon, no individual has thus far received a Presidential pardon for Watergate offenses. On April 12, 1977, you commuted the sentence of G. Gordon Liddy. However, that clemency action was taken to bring Liddy's disparate prison sentence in line with the lesser sentences received by other convicted co-conspirators. Unlike a pardon, a commutation of sentence does not represent forgiveness.

A clemency application is formally denied if Counsel's office concurs with the denial recommendation from Justice. We are proceeding to notify Justice of our agreement with their recommendation on these four cases and pardons will be denied in a routine manner.

THE WHITE HOUSE

WASHINGTON

C

August 6, 1978

Mr. President:

Shortly after the Pope's death was announced today, I was speaking to Frank Moore, as he was about to board a train in Georgia to return to Washington. He asked that I convey his idea that you ask the Speaker to serve as your personal representative to the Pope's funeral.

David Rubenstein

DEMOCRATIC
NATIONAL COMMITTEE 1625 Massachusetts Ave., N.W. Washington, D.C. 20036 (202) 797-5900

John C. White
Chairman

C

MEMORANDUM
August 4, 1978

TO: PRESIDENT CARTER

THROUGH: RICK HUTCHESON

FROM: JOHN C. WHITE John C White

RE: WEEKLY STATUS REPORT ON DNC OPERATIONS

The only way to describe this week is "routine". You are already aware of those areas upon which we are continuing to focus our attention.

Have a nice weekend, I hope my poison ivy will let me do the same.

JCW:dsl

THE WHITE HOUSE
WASHINGTON

August 7, 1978

Bob Lipshutz

The attached was returned in the President's outbox. It is forwarded to you for appropriate handling.

Rick Hutcheson

OMNIBUS JUDGESHIP BILL: SEN. EASTLAND

	FOR STAFFING
	FOR INFORMATION
✓	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION -

		ADMIN CONFID
		CONFIDENTIAL
		SECRET
		EYES ONLY

ACTION	FYI	
		VICE PRESIDENT
		EIZENSTAT
		JORDAN
		KRAFT
✓		LIPSHUTZ
		MOORE
		POWELL
		WATSON
		WEXLER
		BRZEZINSKI
		MCINTYRE
		SCHULTZE

		ADAMS
		ANDRUS
		BELL
		BERGLAND
		BLUMENTHAL
		BROWN
		CALIFANO
		HARRIS
		KREPS
		MARSHALL
		SCHLESINGER
		STRAUSS
		VANCE

		ARAGON
		BOURNE
		BUTLER
		H. CARTER
		CLOUGH
		COSTANZA
		CRUIKSHANK
		FALLOWS
		FIRST LADY
		GAMMILL
		HARDEN
		HUTCHESON
		JAGODA
		LINDER
		MITCHELL
		MOE
		PETERSON
		PETTIGREW
		PRESS
		RAFSHOON
		SCHNEIDERS
		VOORDE
		WARREN
		WISE

THE WHITE HOUSE

WASHINGTON

August 4, 1978

Bob -
I don't care about details of bill (I prefer max merit selection)
J

MEMORANDUM FOR THE PRESIDENT

FROM: ROBERT LIPSHUTZ RJL

RE: Omnibus Judgeship Bill: Senator Eastland

With reference to this matter, Griffin Bell and I do not recommend that you bring the subject up on your trip tomorrow, but it is possible that Senator Eastland will mention it to you.

The matter is still tied up in a deadlocked Conference Committee but Griffin is still optimistic that the legislators themselves will resolve the remaining issue without Presidential intervention.

For the time being, both Griffin and I recommend that you maintain this posture and not express any preference for either the Eastland position nor the Rodino position (which concerns the Fifth Circuit).

If, however, the matter is not resolved reasonably soon, Griffin and I will submit recommendations to you on the issue. We both agree that it is imperative that the bill be enacted during this session of Congress (although at the present time we do not agree fully on the political techniques).

THE WHITE HOUSE

WASHINGTON

a

Minutes of the Cabinet Meeting

Monday, August 7, 1978

The fifty-third meeting of the Cabinet was called to order by the President at 9:00 a.m., Monday, August 7, 1978. The Vice President did not attend as he was in Los Angeles giving a speech to the Urban League Convention. All Cabinet Members were present except Secretary Cyrus Vance, who was represented by Deputy Secretary Warren Christopher; CIA Director Stansfield Turner, who was represented by Deputy Director Frank Carlucci; and Secretary Mike Blumenthal, who was represented by Under Secretary Anthony Solomon. Other persons present were:

Joe Aragon
Zbigniew Brzezinski
Landon Butler
Scotty Campbell
Gregory Canavan
(White House Fellow)
Hugh Carter
Doug Costle
Gene Eidenberg
Les Francis
Rex Granum
Richard Harden
James Jardine
(White House Fellow)
Margaret McKenna
Dick Moe
Henry Owen
Dick Pettigrew
Frank Press
Jerry Rafshoon
David Rubenstein
Jay Solomon
Charles Warren
Anne Wexler
Jack Watson

1. The President opened the meeting by reporting on his visit to the Marine Corps Barracks in D.C. to view the Friday evening Sunset Parade. He described the Parade as an exciting and inspiring event, and one that is well worth seeing by Members of the Cabinet.

2. The President also reported on his trip to Virginia and North Carolina over the weekend with Secretaries Bergland and Kreps. In Virginia, he commissioned a new guided missile cruiser, the USS Mississippi, and in North Carolina he campaigned for John Ingram, candidate for the U.S. Senate. The President said that both stops on the trip were successful, and that he was generally pleased with the press coverage of the trip that

appeared in Sunday's papers. The President said that he greatly enjoys traveling in the country and looks forward to doing more.

-- The President said that he dealt consistently with the sensitive issue of tobacco in North Carolina, supporting the need for continued price supports for tobacco, as well as HEW's effort to educate young Americans to the health hazards of smoking. Noting that 1/3 of the North Carolina farmers work less than 10 acres of land, the President underscored the reason for the great concern in the State about the tobacco crop issue.

3. The President expressed his sadness at Pope Paul VI's death and indicated that he would be naming a delegation to attend the funeral as the official representatives of the U.S. government.

4. The President briefly noted a favorable report over the weekend from Secretary Vance on his meetings with Israeli Prime Minister Begin. The President underscored the delicate status of the Israeli-Egyptian negotiations and the importance of the Secretary's trip.

5. The President asked each Cabinet member to schedule December 8, 9, 10 for the mid-year Democratic Party meeting in Memphis. The President wants Cabinet officers to participate in the meeting to help provide an accurate and fair picture of the Administration's programs, initiatives and accomplishments. He noted that the meeting will be an excellent chance for the Administration both to learn and to educate the country on what the Administration is doing.

6. The President asked that Cabinet Members treat the minutes of the Cabinet meetings with the care that should be given confidential documents. He said that for the last several Cabinet meetings, Mr. Watson has been distributing the minutes to Cabinet Members marked "for their eyes only."

7. The President asked each Cabinet Member to inventory steps already taken or underway to improve the management of his/her department. Such an inventory should be dramatized and made public. The President expressed his interest in having the public know as much as possible about what the Administration is doing in this area and asked for the Cabinet's full cooperation with Jim McIntyre and OMB in doing so.

8. The President said that he is greatly pleased with the cooperation he is getting from the Congress on major foreign policy issues, citing the Panama Canal and the lifting

of the Turkish arms embargo as examples. On domestic issues, however, the President expressed his concern that he will be forced to veto several bills. He asked Cabinet Members to be careful in their discussions with Members of Congress that they not indicate that modest changes in troublesome bills will eliminate the possibility of a veto. Although he is certainly not looking for opportunities to veto legislation, the President wants his options preserved and must insist on substantial improvement in several bills that are currently inconsistent with Administration policy. He cited civil service reform, energy, CETA, Alaska D-2 Lands, tax reform, and Supplemental Fiscal Assistance legislation as examples of bills that are causing concern at the moment.

-- The President said that he believes that the Congress, in general, and the Democratic leadership, in particular, are becoming increasingly aware that in foreign affairs there has been too much legislative intrusion into the conduct of foreign policy.

9. The President reported to the Cabinet on the circumstances surrounding his decision to permit Jay Solomon, Administrator of GSA, to remove Robert Griffin from the number two position at GSA. The President indicated that he has no reason to believe that Mr. Griffin is other than an honorable, decent and competent man, but that the management situation at GSA required the action.

-- The President expressed his hope and expectation that there would be a rapprochement with Speaker O'Neill who was extremely upset by the move. Mr. Griffin has been given an important, new position in Ambassador Robert Strauss' office and, among his other duties, will work with Mr. Strauss in the area of Congressional relations.

10. The President asked the Cabinet to assist Judge Bell in his work with the Congress this week in gaining passage of the pending intelligence/surveillance legislation.

11. Ambassador Strauss reiterated the importance of the mid-year Democratic Party conference in Memphis and asked Cabinet Members to give whatever help they could to insure that there is a broad cross-section of the Party represented at the meeting.

-- Secretary Bergland suggested that the President request the Democratic leadership of the Congress to ask as many members of Congress as possible to attend. The President said he would raise the matter with the leadership at tomorrow's breakfast meeting.

12. Secretary Schlesinger expressed concern that Congress was considering writing highly restrictive language into continuing resolutions for those programs that might be affected by Presidential vetoes. The Secretary indicated his view that legislating through continuing resolutions might be legally impermissible. The President asked the Secretary to meet with Judge Bell to look into the matter. Secretaries Califano and Bergland said that their Departments were facing similar problems, and that they would like to join Dr. Schlesinger in meeting with the Attorney General on the subject.

-- The President asked that a comprehensive list of bills facing this problem be compiled by OMB, Stu Eizenstat and Frank Moore. He asked that the Departments work closely with Jody Powell and Jerry Rafshoon in preparing effective public explanations for any Presidential veto that becomes necessary.

13. At the President's request, Secretary Schlesinger reported on the status of the energy legislation. He said that the Congressional staff report outlining the Conference compromise on gas price de-regulation did not in all respects accurately reflect the agreements reached. Unless that problem is solved immediately, the agreement will not hold. The Secretary noted that any gas price increase will affect both producing and consuming states. The Secretary reported that the national Chamber of Commerce came out against the Bill last week, and that he continues to have problems getting the necessary 13th vote in the House Committee.

-- Secretary Schlesinger reported that there has been no movement on the COET legislation, and that he expects none until the gas pricing legislation is cleared.

-- The President acknowledged that the oil companies are not in favor of COET, and that there is a concurrent strategy in Congress to restrict his ability to impose import fees. Such a move is aimed at forcing him to support immediate de-regulation. He noted that the press is beginning to call public attention to the responsibility of Congress in not passing an energy program.

14. The President reported on his public forum in Virginia last week on civil service reform and said that he thought it went well. He repeated his request for help from

the Cabinet in persuading Members of Congress to support the program.

-- Scotty Campbell reported on the status of the bill in the House and Senate and indicated some optimism on removing the Hatch Act provisions and amending the veterans' preference requirements.

-- The President underscored the importance of Cabinet Members' personally calling Members of Congress, rather than having such calls made by agency Congressional liaison staff.

-- Secretaries Kreps and Califano reported that, based on their calls, the most sensitive issue appeared to be the veterans' preference. The President explained the nature of the change being proposed on veterans' preference and the very beneficial effect the change would have on hiring women and minorities. Secretary Harris referred to a specific problem she had had in hiring minorities in HUD's Office of the Inspector General because of the veterans' preference, and said that she found using specific case examples with Members of Congress was quite helpful.

-- The President asked Scotty Campbell to circulate relevant pages from the briefing material prepared for the public forum to Members of the Cabinet.

-- Secretary Adams asked whether there was a detailed plan for handling the parliamentary situation on the floor of the House when civil service reform is debated. Scotty Campbell said he was meeting with Congressman Udall today to formulate such a plan. Secretary Adams asked to be briefed on the plan so that he can help with members.

-- Secretary Harold Brown reported that he did not get as much opposition to the proposed veterans' preference change as he expected during his calls. According to Dr. Brown, a number of Members simply do not see the issue as a major political plus for them in their districts, although everyone acknowledged the importance of getting better management control of the Federal government.

-- Secretary Bergland stressed the need to move the Bill quickly.

-- The President said that, in his opinion, a substantial portion of the membership of veterans' groups discharged in the past 15 years support the proposed changes, and that it is the leadership of these groups, who left the services more than 15 years ago, who are opposed.

15. In response to the President's request, Secretary Adams reported on the progress of the airline deregulation and noise legislation.

-- Secretary Adams said that the legislation is moving forward and that he may need to meet with the President to receive guidance on a provision in the House Deregulation Bill which would "sunset" the CAB.

16. The President asked Secretary Marshall to report on the status of the CETA legislation.

-- The Secretary indicated that there were two problems in the House version: (1) too many slots provided in Titles II and VI, and (2) a wage-rate escalator tied to the CPI. The Secretary indicated that our strategy is to work both the House floor to get the necessary changes, and the Conference Committee if the former is unsuccessful. He expressed optimism that the changes can be achieved, and that he has the support of the Committee leadership in achieving them.

-- The Secretary also reported on Congressional concern over reports of fraud and abuse in CETA. He said that part of the problem was, ironically, the Labor Department's aggressive effort to root out fraud and abuse. Success in this effort has also added to the public impression that there is a great deal of fraud and abuse. He expressed his view that, in fact, the problem is not widespread.

17. The President asked Deputy Secretary Christopher and Ambassador Young to report on the status of (1) the Namibian negotiations; (2) negotiations with Turkey following the vote to lift the embargo; and (3) the Rhodesian trade issue.

-- Mr. Christopher noted the importance of Congressional support for the President's policy on lifting the Turkish arms embargo and credited the President's extensive personal meetings with Members of Congress in achieving this result. He stressed the importance of re-opening U. S. military bases in Turkey and achieving quick progress on Cyprus as follow-ups to the Congressional action. Prime Minister Ecevit of Turkey is sending a personal emissary to Washington to discuss these matters.

-- Secretary Brown emphasized the importance of immediate follow-through on these two issues.

-- Ambassador Young reported that the Secretary General of the U.N. has already sent a team of 47 people to Namibia to plan the transition to independence. The team is expected to report back to the Security Council by the end of this month. Mr. Young predicted that there will be some difference of opinion between South Africa and SWAPO over the composition of the peace-keeping force. The American role is supportive -- to keep the agreement together and on track.

-- Mr. Christopher noted that the Senate language on lifting trade restrictions with Rhodesia is much preferable to the House language. The former preserves Presidential discretion; the latter does not. The President emphasized the importance of getting the Senate version in the final form of the Security Assistance legislation. He noted that his policy is to protect the legitimate interests of the white minority in Rhodesia, while securing free elections and majority control. He said that a Congressional decision to force the President to lift trade restrictions prematurely would have very serious consequences for our Africa policy and for peace in that area of the world.

18. The President asked Mr. Christopher to report on the status of the foreign aid bill.

-- Mr. Christopher said that the legislation came through last week's House consideration in better shape than expected since several restrictions were eliminated. He expressed concern over the language denying aid to Syria which was added in the House. General aid levels were reduced by 2%, rather than the 8% which had been threatened.

-- Mr. Christopher described the proposed reduction of U.S. participation in several international financial institutions as the single biggest hurdle remaining in the bill. He asked for the Cabinet's help in restoring the $600-million proposed reduction.

-- Mr. Christopher concluded his report by expressing appreciation to the Department of Justice for its effective investigation of the Letelier murder. He described the indictments recently handed down as important to our foreign policy since they demonstrate clearly that this nation will not tolerate criminal or terrorist activities inside this country.

19. The President briefly discussed the delicate balance between our human rights policy and the needs of foreign governments, many of which are facing serious internal terrorist threats.

20. Returning to domestic issues, Ambassador Strauss reported that his brother, who attended the White House

briefing last week on civil service reform, described it as excellent. His only criticism was that he thought the Administration could ask people who attend such briefings to do more than we have been asking.

-- The President concurred and reiterated the importance of the civil service reform program.

21. The President asked Secretary Andrus to report on the status of the Alaska D-2 Lands Bill.

-- The Secretary expressed his hope that Senator Jackson's Committee would report the Bill by the end of this week. The Bill has been delayed in the Senate Committee by a series of delaying tactics by its opponents.

22. The President commented briefly on the Administration's plan to reduce the FY 79 budget by $5-billion. He asked for the closest possible cooperation with OMB in identifying specific areas of reduction consistent with Administration program priorities.

-- Mr. McIntyre reported that OMB staff will begin meeting with the agencies this week to identify specific cuts and noted that OMB will have recommendations for the agency heads to consider.

23. The President asked Under Secretary Solomon of Treasury to report on the tax bill.

-- Mr. Solomon expects the House Rules Committee to act on the Corman/Fisher compromise this week. He said that Mr. Blumenthal would like to be permitted to attend tomorrow's leadership breakfast to discuss the tax bill. The President welcomed the Secretary's attendance at the meeting.

24. The President expressed his criticism and concern over the very superficial and unfair consideration given the Supplemental Fiscal Assistance legislation last week in the House subcommittee. Conversations with leading Senators indicate some hope for salvaging this critical piece of the President's urban policy in the Senate.

25. Mr. Solomon reported that for the second half of this year steel imports, as a percent of domestic consumption, will be running at the historical average of 12-14%.

-- Mr. Solomon reported on the continuing instability of the American dollar in international exchange markets and stressed the need to improve the volume of American exports.

26. The President mentioned the Ohio EPA Regulations enforcement problem, and asked Doug Costle to work closely with Jody Powell and Charlie Schultze in taking the necessary next steps to see that the law is enforced.

27. The President asked Mr. Schultze to report on the state of the economy in light of last week's unemployment data.

-- Mr. Schultze indicated that, as earlier reported, the July unemployment increase (from 5.7 to 6.2%) was not as sharp as the numbers would indicate, since the June decline of 6.1 to 5.7% was, in part, a statistical aberration, and the July increase was, in part, the same. He said that this fluctuation in the unemployment rate was the largest three-month variation in fifteen years. Mr. Schultze said that the unemployment figure appeared to be stabilizing around the 6% level.

-- Mr. Schultze also reported on the inflation rate, noting that the overall rate for the first half of the year had been running at about 10.5% (with food being at an 18.5% inflation rate during this period, with the non-food rate at 8 to 8.5%). For the second half of the year (barring completely unforeseen events) the rate of inflation in food costs will drop dramatically below the double-digit rate of the first six months of the year. Other costs in the current inflation will unfortunately continue near the 9% level. Discounting for a 1½ to 2% growth in productivity this year, the overall net rate of inflation will be approximately 7 to 7.5% by the end of the year. Mr. Schultze said that he believes this rate (7 to 7.5%) is now the underlying rate with which we must deal.

-- Ambassador Strauss discussed the need to achieve agreement on trade policies at the Geneva Multilateral Trade Negotiations (MTN) that are currently underway.

-- The President noted the importance of those negotiations and underscored his view that, in the long run, the dollar's position in the exchange markets will improve the export climate for American products.

-- The President said that Cabinet Members need to travel around the country to report to the people on what each of them is doing within their Departments to reduce the rate of inflation. Mr. McIntyre reported that he and

Jerry Rafshoon are developing a listing of things the Administration has done to reduce the costs of federal government operations.

-- Secretary Kreps stressed the importance of an effective, short-term strategy to increase American exports.

-- The President referred to a recent poll showing that a 2-1 majority of the American people now view the Democratic party as fiscally responsible. The President noted the significance of this new attitude in combination with the traditional view that Democrats are also concerned with the views and needs of the "average American."

-- The President said that the steady reduction in the federal deficit since this Administration came into office is a good achievement which needs to be more publicized, along with other accomplishments of the Administration.

-- The President said that our achievements of the last year and a half are significant, and that he is generally proud of what we have been able to accomplish. He expressed confidence that the good work of the Administration will begin to be reflected in the polls. He expressed his determination to continue to press for those major proposals yet to be acted on by the Congress: welfare reform, hospital cost containment and others.

-- The President noted that, although there are many tough battles ahead, he is confident of our collective ability to do the things that need to be done.

The President adjourned the meeting at 10:55 a.m.

Respectfully submitted,

Jack Watson

Jack H. Watson, Jr.

ID 784004

THE WHITE HOUSE

WASHINGTON

DATE: 03 AUG 78 Mon AM

FOR ACTION: STU EIZENSTAT — JACK WATSON nc — JERRY RAFSHOON

FRANK MOORE (LES FRANCIS) — RICHARD PETTIGREW concur

INFO ONLY: THE VICE PRESIDENT — ANNE WEXLER

JODY POWELL

SUBJECT: BLUMENTHAL MARSHALL MCINTYRE MEMO RE REORGANIZATION OF JOINT AUTHORITY OF THE DEPARTMENTS OF TREASURY AND LABOR UNDER EMPLOYMMENT RETIREMENT INCOME SECURITY ACT OF 1974

+++++++++++++++++++++ +++++++++++++++++++++ +++++++++++++++++++++

\+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +

\+ BY: 1~~200 PM SATURDAY 05 AUG 7~~8 IMM TURNAROUND +
– all have been notified

+++++++++++++++++++++ +++++++++++++++++++++ +++++++++++++++++++++

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: ( ) I CONCUR. ( ) NO COMMENT. ( ) HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

THE WHITE HOUSE

WASHINGTON

August 7, 1978

Jim Gammill
Esther Peterson   Jody Powell

The attached was returned in the President's outbox today and is forwarded to you for appropriate handling.

Jim - please have order drawn up per the President's memo. The President also indicated that Esther Peterson would remain as a Special Assistant to the President in addition to serving as Director of OCA.

Jody - please coordinate press announcement with Esther.

Secretary Califano and Administrator Solomon have been sent copies of the attached memo.

Rick Hutcheson

cc: Stu Eizenstat
Jim McIntyre
Jerry Rafshoon

THE WHITE HOUSE
WASHINGTON

August 7, 1978

Administrator Solomon

The attached was returned in the President's outbox today and is forwarded to you for your information.

Rick Hutcheson

THE WHITE HOUSE

WASHINGTON

August 7, 1978

MEMORANDUM FOR

THE SECRETARY OF HEALTH, EDUCATION AND WELFARE

I have reviewed your recommendations on the Office of Consumer Affairs (OCA) and have concluded that it would be best for OCA to remain in HEW under an arrangement whereby the Office would be provided administrative services by the Department.

HEW is a human resource agency and its functions are more related to consumer affairs than those of the General Services Administration which are principally property management in nature. OCA can satisfactorily fulfill its government-wide responsibilities from HEW and this can be achieved without the burdens inherent in a transfer.

As you suggest, Esther must command the resources to execute the new functions I have assigned to her. I, therefore, intend to designate her as director of OCA under Executive Order 11583.

Jimmy Carter

		FOR STAFFING
		FOR INFORMATION
✓		FROM PRESIDENT'S OUTBOX
		LOG IN/TO PRESIDENT TODAY
		IMMEDIATE TURNAROUND
		NO DEADLINE
		LAST DAY FOR ACTION -

info: Jay Solomon

Note to Jim McIntyre. please have E.O. drawn up per the Pres's memo, The Pres also indicated That Esther Peterson would remain as a Special Asst, in addition to serving as Director of OCA.

Talked to Carter Pres summoned Esther

		ADMIN CONFID
		CONFIDENTIAL
		SECRET
		EYES ONLY

ACTION	FYI	
		VICE PRESIDENT
	✓	EIZENSTAT
		JORDAN
		KRAFT
		LIPSHUTZ
		MOORE
	✓	POWELL
		WATSON
		WEXLER
		BRZEZINSKI
	✓	MCINTYRE
		SCHULTZE

		ADAMS
		ANDRUS
		BELL
		BERGLAND
		BLUMENTHAL
		BROWN
✓		CALIFANO
		HARRIS
		KREPS
		MARSHALL
		SCHLESINGER
		STRAUSS
		VANCE

		ARAGON
		BOURNE
		BUTLER
	✓	H. CARTER
		CLOUGH
		COSTANZA
		CRUIKSHANK
		FALLOWS
		FIRST LADY
		GAMMILL
		HARDEN
		HUTCHESON
		JAGODA
		LINDER
		MITCHELL
		MOE
✓		PETERSON
		PETTIGREW
		PRESS
	✓	RAFSHOON
		SCHNEIDERS
		VOORDE
		WARREN
		WISE

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

7 August 1978

It's ok with Joe for Esther to be. Spec Asst. to Pres. & Director of OCA

J

TO: THE PRESIDENT

FROM: RICK HUTCHESON

SUBJECT: Location of HEW's Office of Consumer Affairs (OCA)

Memos from Esther Peterson and Joe Califano on the subject of the location of OCA are attached.

Esther Peterson recommends that OCA remain in HEW, for housekeeping purposes only, and that OCA otherwise be independent of HEW. She recommends that you sign the attached memo to Califano to accomplish this result.

Secretary Califano recommends that OCA be transferred to GSA.

Jay Solomon recommends that OCA remain in HEW. However, if you decide to transfer OCA to GSA, he says he is "confident that we can work out an arrangement that will permit (OCA) to function as a subordinate unit within GSA and, at the same time, permit Esther to oversee government-wide programs and projects as an Assistant to the President."

Jim McIntyre recommends that OCA remain in HEW, but "strongly recommends against any formal independence for OCA (budget, hiring, etc.) within HEW. Clearly however, Esther's policy lead in the area should not be undermined by administrative interference at HEW. (McIntyre) recommends that you informally and privately communicate to Secretary Califano your expectation that within OMB's budget and personnel ceilings you expect Esther to manage the Office at HEW. You may wish to direct that any disputes be resolved by OMB rather than by yourself. This approach should satisfy Esther's legitimate concerns without setting a bad precedent by giving Presidential approval to divided legal and administrative authority."

Stu Eizenstat concurs with Esther and recommends that you sign the memo to Califano. Leaving OCA in HEW, with Esther as Director of OCA and continuing as your Special Assistant, "seems to be the best solution... There is no answer that will satisfy everyone."

Stu says that "transferring the Office to GSA could be seen as downgrading consumer issues and seems particularly inappropriate at this time in view of GSA's troubles." Also, transferring OCA to GSA "is not satisfactory to Esther since Jay Solomon insists it be integrated in such a way that GSA officials would have to clear its activities."

DECISION:

_____Retain OCA in HEW. (Peterson, Eizenstat, McIntyre, Solomon)

______Send memo to Califano (Peterson, Eizenstat)

______Communicate instructions to Califano privately (McIntyre)

_____Transfer OCA to GSA. (Califano)

PETERSON

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

August 1, 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: ESTHER PETERSON

SUBJECT: Secretary Califano's Memo re Transfer of HEW's Office of Consumer Affairs

As Joe has said, since last February when the consumer agency bill was defeated, we have been searching for a satisfactory agency in which to house the Office of Consumer Affairs (OCA), HEW. After considering numerous possibilities, we have concluded that the most appropriate agency is either HEW or GSA. My preference is to maintain the Office in HEW for housekeeping purposes.

If I am to implement satisfactorily the assignments given to me and if we are to continue to have a federal consumer office, I need the authority to manage the budget, personnel, and program of that office. Locating OCA in the Executive Office of the President would assure this control, but cannot be done within your personnel ceiling. This leaves the option of locating OCA in either HEW or GSA for <u>housekeeping</u> purposes. If this is done, I could serve as both your Special Assistant and Director of OCA (this latter position I have never officially held). My predecessor, Virginia Knauer, held both positions in a housekeeping arrangement.

Both Joe Califano and Jay Solomon have resisted a housekeeping arrangement, stating they want to control every entity located in their agencies. They would insist that I integrate OCA activities and functions into the activities of their agency. This would compromise my independence since I would be forced to clear my activities as Director of OCA with the head of the host agency or one of his employees. For example, in addition to coordinating with Frank Moore on my Hill work, I would also have to obtain clearance from the agency's Congressional Relations Office. Further, it would mean that the OCA, whose responsibilities are government-wide, would be reporting to the head of a single agency.

As between HEW and GSA, I would prefer a housekeeping arrangement in HEW. The OCA is currently located in HEW and, thus, no implementing Executive Order is needed. Moreover, costs that would be incurred in a transfer to GSA could be saved.

While transferring OCA to GSA does offer the advantages which Joe cites in his memo, consumer groups may view it as a downgrading of the Office. Nevertheless, this could be avoided if the transfer is presented in a positive light.

Transfer to GSA for housekeeping purposes would, nonetheless, be acceptable to me, but this approach requires that an implementing Executive Order be issued. I have attached a memorandum for your signature to the head of whichever agency you select which defines the relationship between OCA and that agency as housekeeping in nature.

THE WHITE HOUSE

WASHINGTON

August 1, 1978

MEMORANDUM FOR

THE SECRETARY OF HEALTH, EDUCATION AND WELFARE

I have reviewed your recommendations on the Office of Consumer Affairs (OCA) and have concluded that it would be best for OCA to remain in HEW under an arrangement whereby the Office would be provided administrative services by the Department.

HEW is a human resource agency and its functions are more related to consumer affairs than those of the General Services Administration which are principally property management in nature. OCA can satisfactorily fulfill its government-wide responsibilities from HEW and this can be achieved without the burdens inherent in a transfer.

As you suggest, Esther must command the resources to execute the new functions I have assigned to her. I, therefore, intend to designate her as director of OCA under Executive Order 11583. ~~You should give her free reign over her budget, staff, and program at OCA, subject to the normal legal requirements for fiscal, personnel, and property management.~~

CALIFANO

THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE
WASHINGTON, D.C. 20201

June 26, 1978

MEMORANDUM FOR THE PRESIDENT

Since Congress failed to enact an agency for consumer protection, I have thought about ways this Administration could most effectively marshall its resources for consumer matters, short of legislative authorization. In recent weeks, my staff and I have discussed this question with Esther Peterson, and I am now convinced that Esther, who is the Administration's spokesperson for consumer affairs, must command the resources to execute the new functions you recently announced for her. I believe that the only way to make this happen quickly is to transfer HEW's Office of Consumer Affairs (OCA) out of HEW and have that office report directly to Esther.

Within the current structure, the Office of Consumer Affairs has never met expectations. Unfortunately, consumer affairs responsibilities have not been central to the concerns of this Department. Even the OCA budget is handled by the HUD-Independent Agencies appropriations subcommittee, not by the HEW appropriations subcommittee. To the extent that the responsibilities of OCA transcend the boundaries of HEW, they have not been satisfactorily fulfilled because OCA is too often regarded as just another peer by other departments and agencies. Because its actions directly affect many departments and agencies as well as the public, OCA needs the prestige and authority that derive from a close organizational association with the Executive Office of the President.

To continue a variant of the existing situation, under which the Administration's chief policy maker for consumer matters is in the White House but the preponderant share of the Federal Government's consumer resources resides in this Department, would only vitiate your and Esther's new initiative in consumer affairs. It would prolong the fragmentation that now exists between consumer policy making and implementation and would split accountability for your consumer program. Consequently, I recommend that the Office of Consumer Affairs report directly to Esther and that it be clearly under her management.

The President
Page two

The best management solution would be to transfer OCA into the Executive Office of the President as a free-standing unit reporting to Esther. In view of your intent to contain Executive Office staff levels, however, you may want to assign OCA to another location capable of providing the office with the administrative services it would need to function.

I believe that the best alternative would be to transfer OCA to the General Services Administration. The advantage of GSA is that it lacks substantive policy responsibility and thus avoids the bifurcation inherent in lodging OCA in a department like HEW. GSA already provides "house-keeping" assistance to some thirty Presidential boards and commissions not under its substantive responsibility. Examples include the National Advisory Council on Equal Opportunity, the Water Resources Council, the National Transportation Policy Study Commission, and the National Center for Productivity and Quality of Working Life. In addition, GSA now maintains a nationwide consumer information program which publishes, and encourages other Federal agencies to develop and release, useful consumer information.

In summary, Esther Peterson should have the staff and budgetary means to meet your expectations of her. I would urge the transfer of the Office of Consumer Affairs from HEW to her direct supervision. Esther and I have discussed my views as outlined above, and I understand that she and Jay Solomon are now exploring the feasibility of the GSA solution.

Joseph A. Califano, Jr.

CC: Esther Peterson

THE WHITE HOUSE

WASHINGTON

August 1, 1978

MEMORANDUM FOR

THE ADMINISTRATOR
GENERAL SERVICES ADMINISTRATION

As you know, Joe Califano has recommended that the Office of Consumer Affairs (OCA), HEW, be transferred to the General Services Administration (GSA). I have concluded that it would be best to transfer OCA to GSA under an arrangement whereby the Office would be provided administrative services by your agency.

Like GSA, OCA's activities and responsibilities affect many federal departments and agencies. In addition, the Office's functions would complement ongoing GSA consumer programs such as your nationwide consumer information activities.

If Esther Peterson is to effectively carry out the functions that I have given her, she needs to oversee the activities of the Office. I, therefore, intend to designate her as director of OCA under Executive Order 11583. In this capacity, I ask that you give her free reign over the budget, staff, and program of OCA, subject to the normal legal requirements for fiscal, personnel, and property management.

I have asked Esther to work with you in preparing the Executive Order to execute the transfer.

ID 783956

THE WHITE HOUSE

WASHINGTON

DATE: 01 AUG 78

FOR ACTION: STU EIZENSTAT w/ Stu

HAMILTON JORDAN

JACK WATSON concur w/ Estn

FRANK MOORE (LES FRANCIS) NC

INFO ONLY: THE VICE PRESIDENT

ANNE WEXLER

HUGH CARTER

SUBJECT: PETERSON MEMO RE SECRETARY CALIFANO'S MEMO RE TRANSFER OF HEW'S OFFICE OF CONSUMER AFFAIRS

+++

+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +

+ BY: 1200 PM THURSDAY 03 AUG 78 +

+++

ACTION REQUESTED:

STAFF RESPONSE: ( ) I CONCUR. ( ) NO COMMENT. ( ) HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

ID 783361 THE WHITE HOUSE

WASHINGTON

DATE: 27 JUN 78 7/7 - Bert will comment on SAT 7/8 (HOLD til Mon)

MON/9AM

7/10 - problems, will call early pm

FOR ACTION: STU EIZENSTAT FRANK MOORE (LES FRANCIS) nc

JACK WATSON strong concur JIM MCINTYRE

ESTHER PETERSON - [illegible] - attached

7/5 not attached for [illegible]

INFO ONLY: THE VICE PRESIDENT HAMILTON JORDAN

BOB LIPSHUTZ ANNE WEXLER

HUGH CARTER

7/10 - BC will talk w/ Esther today & then comment

SUBJECT: CALIFANO MEMO RE TRANSFER OF HEW'S OFFICE OF CONSUMER AFFAIRS TO ESTHER PETERSON'S MANAGEMENT

Peter Solomon 566-1212

+++++++++++++++++++ +++++++++++++++++++ +++++++++++++++++++

\+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +

\+ BY: 1200 PM THURSDAY 29 JUN 78 +

+++++++++++++++++++ +++++++++++++++++++ +++++++++++++++++++

7/11 - GSA comment in AM

7/12 - Kallaway & Solomon mtg re this in early pm - will call this w/ response.

2:20 pm - stay no decision - another 1 1/2 hrs

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: ( ) I CONCUR. ( ) NO COMMENT. ( ) HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

7/12 - HOLD until 7/19 - per Esther & Petkas

THE WHITE HOUSE

WASHINGTON

Date: 27 June 1978 MEMORANDUM

FOR ACTION:	**FOR INFORMATION:**
Administrator Jay Solomon	

7/10 Holding until legal pblm resolved — per Kallaur

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Califano memo re Transfer of HEW's Office of Consumer Affairs to Esther Peterson's Management

YOUR RESPONSE MUST BE DELIVERED TO THE STAFF SECRETARY BY:

TIME: 12:00 Noon

DAY: Thursday

DATE: 29 June 1978

ACTION REQUESTED:

X___ **Your comments**

Other:

STAFF RESPONSE:

____ **I concur.** ____ **No comment.**

Please note other comments below:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

THE WHITE HOUSE
WASHINGTON

August 1, 1978

Hamilton Jordan
Stu Eizenstat

Can this be worked out without bothering the President?

Rick Hutcheson

United States of America
General Services Administration
Washington, D.C. 20405

Administrator

July 31, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Jay Solomon Jay Solomon

SUBJECT: Possible Transfer of HEW's Office of Consumer Affairs

In view of the one-time costs involved in the transfer of government employees from one agency to another, I urge you to consider the retention of the Office of Consumer Affairs in the Department of Health, Education and Welfare.

I am aware of some of the organizational problems with the current arrangement, and if it is your wish to transfer that organization to GSA, I will make every effort to be accommodating.

Esther and I have had numerous discussions on this subject. I am confident that we can work out an arrangement that will permit that organization to function as a subordinate unit within GSA and, at the same time, permit Esther to oversee government-wide programs and projects as an Assistant to the President.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

7 AUG 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Jim McIntyre Jim

SUBJECT: Joe Califano's Memo on Office of Consumer Affairs

I do not believe GSA is an appropriate "home" for the Office of Consumer Affairs.

- its operating style and mission are not consistent with OCA's (the Consumer Information Centers that it operates, for example, are essentially booklet distribution centers).

- placing the Consumer function there would be a downgrade for the Office, expecially given GSA's current troubles.

If OCA remains at HEW, Esther, and her successors may, at your discretion, continue to wear two hats.

I strongly recommend against any formal independence for OCA (budget, hiring, etc.) within HEW. Clearly, however, Esther's policy lead in the area should not be undermined by administrative interference at HEW. I, therefore, recommend that you informally and privately communicate to Secretary Califano your expectation that within OMB's budget and personnel ceilings you expect Esther to manage the Office at HEW. You may wish to direct that any disputes be resolved by OMB rather than by yourself.

This approach should satisfy Esther's legitimate concerns without setting a bad precedent by giving Presidential approval to divided legal and administrative authority.

The President's Consumer Adviser and Her Staff

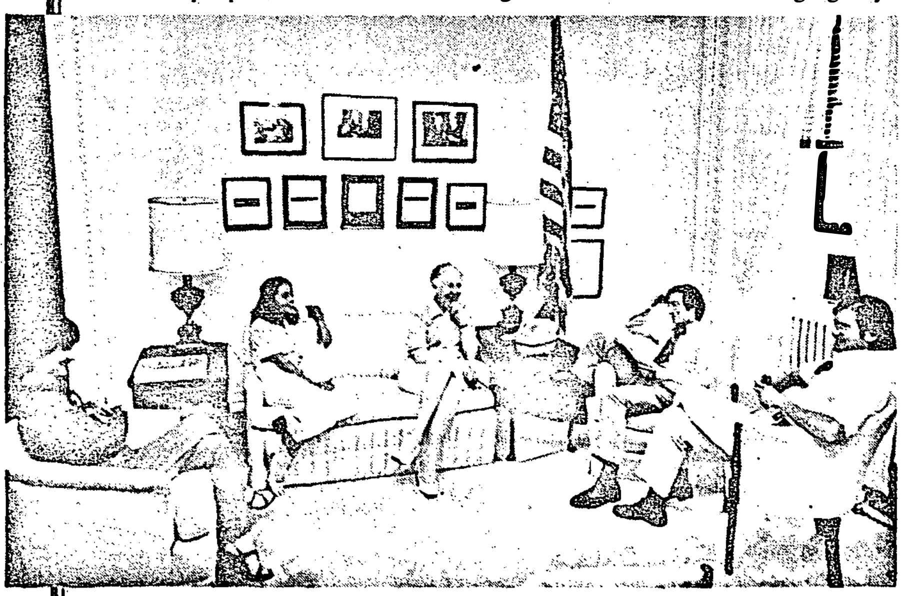
It's the second time around for Esther Peterson, President Carter's special assistant for consumer affairs. Peterson, who held the same job under President Johnson from 1964-67, brings to the White House a long and varied Washington career. From 1939 until 1948, she was with the Amalgamated Clothing Workers Union of America, as assistant director of education and legislative representative, and from 1958-61, as a legislative representative for the AFL-CIO.

Her government service began in 1961, when President Kennedy named her assistant secretary of Labor for labor standards, a job she held until 1969, and director of the Labor Department's Women's Bureau, which she left when she went to the White House in 1964. She also served as executive vice chairman of the Presidential Commission on the Status of Women from 1961-63.

In 1970, after the Republicans took over the White House, Peterson signed on as a consumer adviser to Giant Food Co., returning to the White House in April 1977.

It's probably fair to say that Peterson's strongest weapon isn't Carter's April 27 order instructing her to coordinate the work of the government's many consumer offices and programs but rather a combination of her style and reputation as a credible and respected advocate—of labor rights, women's rights and now consumer rights.

She's made a lot of friends over the years, especially on Capitol Hill, and she retains the capacity to make new friends, as her lobbying activity on behalf of the consumer agency bill proved. Even though the bill lost, a consumer group official pointed out, Peterson was able to see and talk to a lot of people who would have nothing to do with the likes of a Ralph Nader.



Esther Peterson (center) and her staff.

Congressional aides say she is one of the few Administration officials who keeps in regular touch with the committees, eliciting their views and staying flexible enough to compromise when issues are headed for a stalemate. Accessibility and dependability are two more traits that admirers in Congress and the White House cite as a key to her influence.

Her weak point, say those who have worked with her, is her inability to delegate responsibility. She tries to do everything herself, or at least keep a hand in every matter, and may wind up accomplishing less as a result. To assist her, Peterson has assembled a staff with varied backgrounds—in the executive branch, on Capitol Hill, and in consumer and labor lobby groups.

Rodney E. Leonard, 48, joined Peterson's staff as her deputy in June to handle administrative and planning chores. He is on temporary leave as chief executive officer of the Community Nutrition Institute, a public interest group involved in food policy issues and food and nutrition programs. Prior to founding the institute in 1970, Leonard had been with the Agriculture Department, as an assistant to the Secretary (1961-65), deputy assistant secretary for marketing and consumer services (1965-66) and administrator of the department's Consumer and Marketing Service (1967-68).

Edward B. Cohen, 28, is Peterson's general counsel and liaison with Congress on legislative matters. From 1971 until April 1977, Cohen was on the staff of the Senate Commerce, Science and Transportation Committee.

Midge Shubow, 29, Peterson's press secretary, was detailed to the White House in May 1977 from the Agriculture Department, where she had served as assistant to the director of public affairs. Shubow also worked as press secretary in the 1976 reelection campaign of Rep. Gladys Noon Spellman, D-Md. Prior to that, she had been information director at the Consumer Federation of America.

T. Michael Kerr, 31, came to Peterson's staff in January from the American Federation of State, County and Municipal Employees, where he had been legislative representative since 1973. Kerr is handling the work of coordinating agency consumer programs as well as helping on legislative issues.

Nancy Erwin, 32, assists both Peterson and Leonard on administrative issues. She was a consumer specialist with Giant Food from 1970, when Peterson joined the company, until 1975. Before that, she had been an information specialist at the Agriculture Department's Consumer and Marketing Service.

James Zellner, 32, is currently on detail to Peterson's staff from the Office of Consumer Affairs. Zellner joined the office as a senior staff economist in 1977, after a year's stint as staff analyst with the Federal Paperwork Commission in 1976.

Lee Richardson, 38, is director of the Office of Consumer Affairs, which once was part of the White House but now is lodged with the Health, Education and Welfare Department. The post traditionally has been held by the President's consumer affairs assistant, but Peterson accepted her White House job with the understanding that she would not also serve as director of the office.

Richardson, who was named to the post in January, had been with the office under Peterson's predecessor, Virginia H. Knauer, where he was detailed to work with the Federal Energy Administration (FEA) to set up its consumer office. Subsequently, he was named director of the FEA consumer office, but resigned after five months after complaining that the office was being ignored by FEA policy makers. He returned to Louisiana State University, where he had been a business professor, until being called back by Peterson.

sumer Product Safety Commission points up the problem that has led the Administration to consider moving the Office of Consumer Affairs out of HEW.

As long as the office is housed in HEW but reports to the special assistant to the President, it will find itself on occasion taking positions that are opposed by its nominal boss, HEW Secretary Califano.

Thus Califano initially, at least, supported the proposal to transfer the product safety commission's authority over food, drugs and consumer products to the FDA. Had the proposal moved any further than it did, he and Peterson, as the effective head of the consumer office, could have found themselves in direct conflict.

Peterson's predecessors had served as head of the consumer office—whether lodged in the White House or in HEW—as well as presidential assistant. But Peterson, when she took the White House post, declined to take on the administrative responsibilities that go with the directorship of the consumer office.

Lee Richardson, who holds the latter title, said that the location of his office within HEW poses two problems.

One is that the office is identified as an HEW unit, even though the department exercises no policy control. "That puts HEW in an untenable position," Richardson said.

A second problem, potentially stickier, is that the office might find itself in a dispute with another HEW unit—the FDA, for example—in which case the department would have to decide whether to go public with the dispute and which side to take.

As to the future of the office, the White House is considering transferring it to the General Services Administration.

Moving it back into the White House might make more sense, but Carter is committed to holding the line on the size of the White House staff and doesn't want to absorb the personnel from the consumer office.

If Carter approves the plan to transfer the office to the non-policy-making General Services Administration, Peterson at least could exercise a greater degree of control over the office's staff without risking a clash with an agency head on substantive issues.

LENDING A HAND

Consumer programs at the federal level are at best a hit-or-miss proposition.

Many of the programs begun by President Ford in November 1975 as an alternative to an independent consumer agency have suffered from lack of interest, direction and adequate funds. *(For background, see NJ, 3/27/76, p. 402.)*

Carter, looking for ways to sell the proposed agency to Congress, suggested eliminating 26 existing consumer units to pay the $15 million first-year costs of the new agency. The result was that a number of departments and agencies curtailed or halted the activities of their consumer units on the assumption that they soon would be put out of business. But when the House turned down the agency bill, part of its message seemed to be that programs already on the books should have the resources and backing to do a better job of representing consumers and keeping them informed. *(See NJ, 12/10/77, p. 1012.)*

Carter's instructions to Peterson were to give some over-all direction to the federal consumer effort and to see to what extent consumer views are being considered in the decision-making process.

Her first step was to survey agency and department heads to get a picture of what she has to work with. Once the survey results have been reviewed, she will take her recommendations back to Carter. Her staff says it doesn't want to dictate to any agency how to run its program but prefers to offer ideas on what seems to work and what doesn't and to provide guidelines to implement the good ideas.

One of Peterson's major concerns is over the status and influence of the agency consumer offices. Their location within each agency differs, but Peterson's staff says it is less important where the office is located than whether it has access to those who set policy. How and whether agency heads will grant such access remains to be seen.

Lee Richardson, director of the Office of Consumer Affairs, feels that HEW is put "in an untenable position" because it exercises no policy control over his office.

Another goal is to help the agencies find ways to do more efficiently the things they already are doing. Handling of complaints is high on Peterson's list. "We have a hodge-podge system," she said. "We do paper shuffling rather than assisting."

A check with the consumer offices in a half-dozen departments and agencies confirms that handling complaints is one of their least understood and most important functions.

"At least 30 per cent of the calls we get are from misdirected consumers who have no idea where to go for help," said an official with one of the regulatory agencies. "About the best we can do is thumb through the government directory and hope we come up with a place to send them."

Another of Peterson's priorities is to improve the quality of consumer information. "People don't know what their rights are, they don't know what laws are on the books to protect them," she said. Part of the answer may be in simply revising information that already is available. "We still appeal to the middle class. We have not yet geared our information and our programs to the people who need it most."

A final issue that has Peterson's priority stamp is public participation—authorizing federal agencies to pay the costs of public interest groups that otherwise couldn't afford to take part in rule-making proceedings. The FTC already has such a program under way, and a few other agencies are implementing similar programs. But legislation (HR 3361, S 270) authorizing $10 million to defray expenses for a variety of consumer, environmental and small business groups has been tied up all session in both the House and Senate Judiciary Committees. *(See NJ, 8/6/77, p. 1234.)*

Peterson said the legislation is particularly important now that consumers won't have a special agency to intervene in regulatory proceedings. And she raised the possibility that her office would consider intervening as a friend of the court on selected issues.

Which raises an interesting question. Peterson returned to the White House to shepherd the consumer agency bill through Congress and then, she said, to step down again. So what convinced her that she should stay on even though the bill is dead?

One factor, she said, is her commitment to the consumer movement and "a feeling that it's in a very crucial place right now." And, she added with a wink, "It's hard to say no to the President."

There are a lot of people in Washington who think it's even harder to say no to Esther Peterson. □

White House in 1973. In practical terms, that means that HEW Secretary Joseph A. Califano Jr. must approve the staff's travel and speeches, even though the consumer office's $1.75 million budget is approved separately by Congress.

Negotiations are going on now to move the office out of HEW and into a more neutral, non-policy-making agency.

INFLUENCING POLICY

Peterson's most important assignment is to assure that consumer voices aren't drowned out in the debate over inflation and other national policies.

Her presence has been felt already. Peterson was instrumental, for example, in selling other Carter aides an anti-inflation strategy based on a sectoral, or "necessities of life," approach. The aim is to chip away at inflation bit by bit rather than seeking a global solution. Thus, the focus is on four areas—food, health, housing and energy—that account for 70 per cent to 80 per cent of the average family's expenditures.

The sectoral approach, promoted by economist Gar Alperovitz, had stirred Administration interest, according to one presidential aide. "But it had not been fleshed out or developed. Then Esther picked up on it and pushed it," he said.

The idea since has won the endorsement of Carter's chief inflation fighters, presidential counselor Robert S. Strauss and Barry P. Bosworth, director of the Council on Wage and Price Stability. Aides are in the process of narrowing it down to eight or ten specific issues—hospital cost containment is one example—before attempting to incorporate it into the Administration's overall strategy.

"It's so simple," said Rodney E. Leonard, Peterson's deputy. "But to get [a major agency] to do something to reduce costs, to undo the compromises and agreements they've made to get their programs going, is like asking them to shoot their own mother."

On commodity issues, Peterson's staff has been involved not only with meat import quotas but also in Administration deliberations over sugar prices. Its aim in both cases has been to hold down retail prices.

Last summer, Congress, over White House objections, mandated a support price for raw sugar of 13.5 cents per pound, nearly double the world price of 7 cents. Agriculture Department economists say every penny increase in the support price costs consumers $300 million. *(See NJ, 10/29/77, p. 1698.)*

Now Congress—more specifically Sens. Russell B. Long, D-La., and Frank Church, D-Idaho—is pushing to set the support price at 17 cents. Peterson sided with the Council of Economic Advisers and the White House Domestic Policy Staff in arguing to leave the price where it is.

The issue will have to be decided by December, when the current legislation expires. A compromise—in the neighborhood of 15 cents—is considered likely, since Carter has threatened to veto a bill that sets the higher support level.

No one contends that Peterson has changed any minds, especially on the sugar issue, where she was called in at a late stage in the discussions. And it's hard to pinpoint the arguments or the advisers who have persuaded Carter to follow a particular course, especially on issues where consumers and anti-inflationists are fighting for the same results.

Still, without assigning credit, her Administration colleagues say with near unanimity that Peterson and her staff have brought reasoned analysis to food policy deliberations.

"I'm high on the way they're handling things," said one Domestic Policy Staff official, "on the way they were able to represent consumers. I look for them to enter on other [agriculture] issues on a regular basis."

Peterson is realistic about her own influence. On any issue, she said, the President wants all the arguments, pro and con. "The consumer interest, the user interest, is a part of it, but not the whole thing. But he'll make a much better decision if he has our input into it.

"We haven't won—and we can't win—everything," she added. "But we move things a few degrees, and that's the democratic process. It's the whole new consumer presence that's so important."

In another policy area, Peterson's recommendation on renewing the mandate of the embattled Consumer Product Safety Commission apparently was persuasive with Carter. With the commission's authority due to expire in September, aides at the Office of Management and Budget (OMB) and the Domestic Policy Staff drafted a plan earlier this year that would have abolished it and transferred its functions to HEW's Food and Drug Administration (FDA) and to the Environmental Protection Agency. With time running short, the plan was scrapped. But the option of reorganizing the commission at a later date continued to be held out. *(See NJ, 4/1/78, p. 532; 3/4/78, p. 359.)*

Esther Peterson, President Carter's special assistant for consumer affairs: "The major thing that I want to accomplish, if I possibly can, is to be sure that the consumer presence is very high up in the policy-making process. . . ."

Domestic Policy Staff director Stuart E. Eizenstat and OMB director James T. McIntyre Jr. recommended that Carter back a two-year reauthorization. Peterson, in a separate memo, pressed for a three-year extension. Carter agreed, and Congress has extended it for that length of time.

According to a House committee aide, it was Peterson who let Carter know that the commission had strong support in Congress and that "it didn't make sense, from a practical or political standpoint, for him to abolish it."

R. David Pittle, a member of the product safety commission, said he had no doubt that Peterson played a "strong and effective role" in turning sentiment around. Furthermore, he said, she has followed through by asking Congress to provide funds for the commission at what he termed "a reasonable level."

BUREAUCRATIC CONFLICT

The debate over the future of the Con-

Esther Peterson—The Consumer Advocate With the President's Ear

For the first time since the consumer adviser post was set up, the consumer's voice is being consciously and regularly heard in the White House decision-making process.

BY LINDA E. DEMKOVICH

If meat prices are lower this fall, Esther Peterson may deserve some of the credit. How much of it is the question.

It is a fact that Peterson, President Carter's special assistant for consumer affairs, was one of the advisers who argued for more liberal quotas for imported beef as a way to hold down meat prices in U.S. supermarkets.

And it is a fact that Carter, on June 8, signed an order increasing beef quotas by 200 million pounds.

But it is also a fact that Peterson was not alone, that other domestic and economic policy advisers made the same pitch to Carter for higher quotas.

So how much weight Carter attached to Peterson's urgings must remain speculative. It may also be irrelevant. For what is important is that for the first time since President Johnson created the consumer post in 1964, the consumer's voice is being consciously and regularly weighed in the decision-making process on a variety of issues that have not traditionally been labeled "consumer." The meat import issue, with its economic and trade implications, is a case in point.

In April 1977, when Carter asked Peterson back to the White House—she had held the job from 1964-67 under Johnson—he gave her one task: to secure enactment of legislation to establish an independent agency with power to intervene on behalf of consumers before federal agencies and before the courts.

On Feb. 8, the House killed the bill. And Peterson, who expected—and in fact hoped—to be out of a job, instead was asked to stay on, and with considerably more power than before.

In addition to seeking her advice on policy, Carter has asked her to inventory existing consumer programs in the departments and agencies—many of them set up under the Ford Administration—to ensure that they are making consumer views heard in the decision-making process, are in line with Administration policies and goals and are not plagued by duplication and inefficient administration. And he has invited her and her staff to offer informal advice on nominations to consumer-sensitive positions.

AGENDA

Peterson has plunged into her new duties with her characteristic enthusiasm and vigor. At 71, she sets a pace that people half her age openly envy and try their best to keep up with.

At the moment, she is devoting the largest share of her time to the anti-inflation drive, with food prices topping her list of priorities. As a member of the Agriculture Department's working group on food and agriculture and as a regular at senior White House staff meetings, she now has the forum she thinks she needs to convey the concerns of consumers to key policy makers.

Others on her staff, meanwhile, are addressing an agenda of long-term policy issues, ranging from metric conversion to nutrition education, from exports of hazardous materials to consumer banking and privacy matters.

Since the defeat of the agency bill, Peterson has spent less time lobbying for legislation, although she was on Capitol Hill on July 13, the day the Senate approved the consumer cooperative bank bill, and is likely to be on call as other key bills reach the floor. But she goes back often to testify on behalf of Carter's programs and is considered one of the Administration's most popular and credible witnesses, according to congressional aides.

To meet the second part of her mandate, Peterson's staff is reviewing responses to a questionnaire sent to each of the departments and agencies. Carter has asked her to recommend ways to improve existing consumer programs in time for the fiscal 1980 budget review later this fall.

Even though Congress rejected a special agency with the power to intervene before agencies and take cases to court, Peterson says a lot of things can be done internally to see that consumer views are heard.

"The major thing that I want to accomplish, if I possibly can, is to be sure that the consumer presence is very high up in the policy-making process in each one of these areas," she said in an interview.

Among her other goals: to improve complaint-handling procedures, upgrade consumer information and education programs and encourage departments and agencies to hire consumer specialists and appoint consumer representatives to their advisory committees and panels. She also would like to see them pay the costs of citizen participation in agency proceedings, although that would probably take some help from Congress.

The job won't be easy, but an April 27 directive from Carter instructing department and agency heads to cooperate with Peterson should put some muscle behind her efforts.

There are skeptics, of course, who question whether she has enough power and resources to accomplish even half the things she has set out to do.

Though Peterson herself is on the White House payroll, her staff, including the handful of aides who work with her at the Old Executive Office Building, next door to the White House, are paid by the Office of Consumer Affairs, which has been housed in the Health, Education and Welfare Department (HEW) since President Nixon moved it out of the

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR: THE PRESIDENT

FROM: STU EIZENSTAT Stu
RICK NEUSTADT

SUBJECT: Califano, Peterson, and Solomon Memoes re: Office of Consumer Affairs

I have followed the negotiations between Joe, Jay, and Esther on this matter, and there is no answer that will satisfy everyone. Esther's proposal to leave the Office in HEW for housekeeping purposes seems the best solution. That approach would assure that Esther and the Office continue to function as your consumer affairs representatives. Transferring the Office to GSA could be seen as downgrading consumer issues and seems particularly inappropriate at this time in view of GSA's troubles. I therefore recommend you sign the memo to Califano.

I also recommend that Esther retain her title of Special Assistant to the President, in addition to assuming the directorship of the Office in HEW. A clear link to you is necessary for her continued effectiveness.

Secretary Califano's proposed solution to transfer OCA to GSA is not satisfactory to Esther since Jay Solomon insists it be integrated in such a way that GSA officials would have to clear its activities. She feels that ordering Solomon to take it for housekeeping purposes only would be interpreted as downgrading the importance of consumer affairs.

THE WHITE HOUSE
WASHINGTON

August 7, 1978

Hugh Carter

The attached was returned in the President's outbox. It is forwarded to you for appropriate handling.

Rick Hutcheson

cc: Jerry Rafshoon

	FOR STAFFING
	FOR INFORMATION
/	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION -

		ADMIN CONFID
		CONFIDENTIAL
		SECRET
		EYES ONLY

ACTION	FYI	
		VICE PRESIDENT
		EIZENSTAT
		JORDAN
		KRAFT
		LIPSHUTZ
		MOORE
		POWELL
		WATSON
		WEXLER
		BRZEZINSKI
		MCINTYRE
		SCHULTZE
		ADAMS
		ANDRUS
		BELL
		BERGLAND
		BLUMENTHAL
		BROWN
		CALIFANO
		HARRIS
		KREPS
		MARSHALL
		SCHLESINGER
		STRAUSS
		VANCE

ACTION	FYI	
		ARAGON
		BOURNE
		BUTLER
/		H. CARTER
		CLOUGH
		COSTANZA
		CRUIKSHANK
		FALLOWS
		FIRST LADY
		GAMMILL
		HARDEN
		HUTCHESON
		JAGODA
		LINDER
		MITCHELL
		MOE
		PETERSON
		PETTIGREW
		PRESS
	/	RAFSHOON
		SCHNEIDERS
		VOORDE
		WARREN
		WISE

THE WHITE HOUSE

WASHINGTON

August 7, 1978

Hugh
Good
Give me ideas for
simple, standard
design (?) water
heater for west
wing -
J

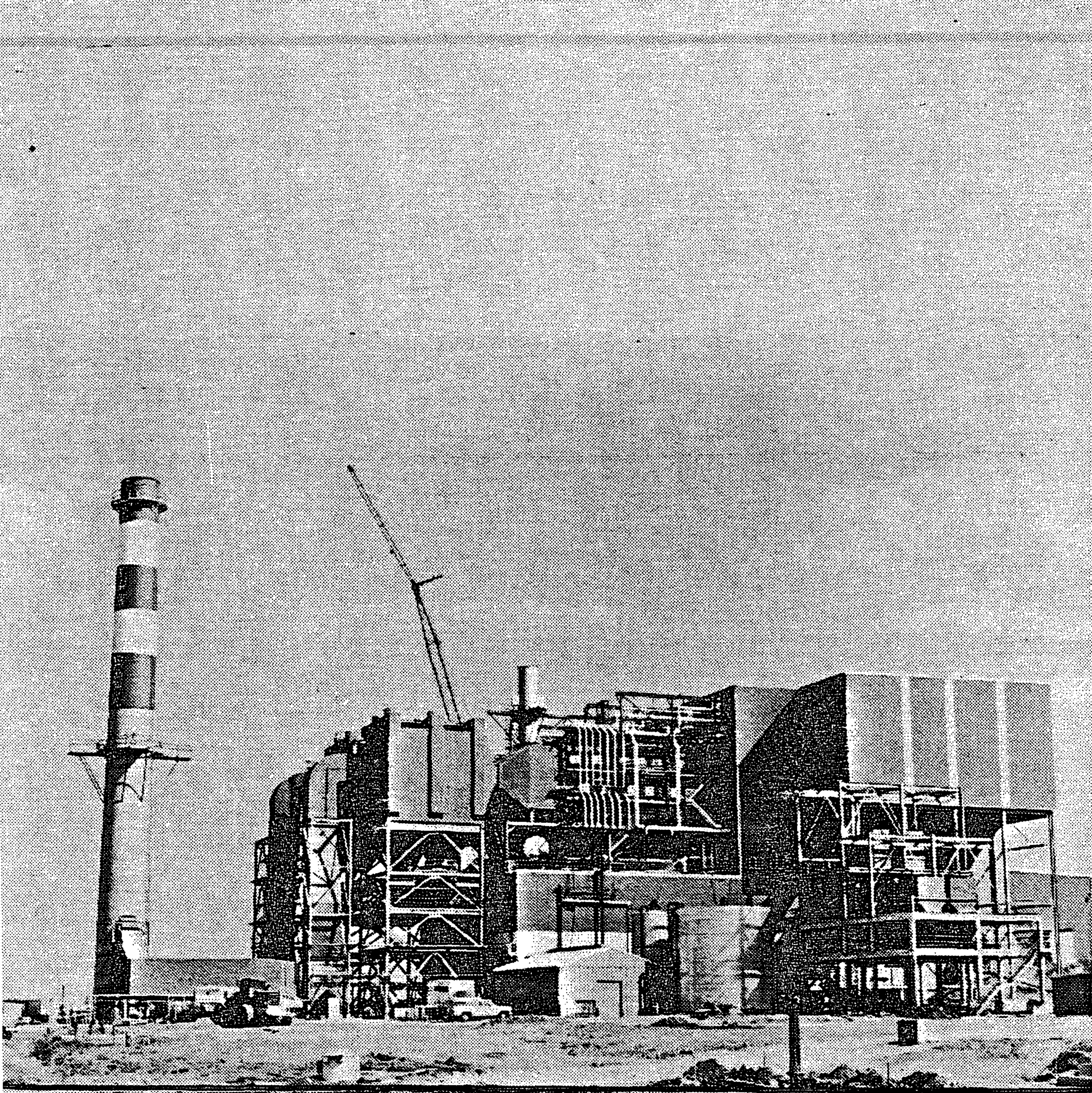
MEMORANDUM FOR THE PRESIDENT

FROM: HUGH CARTER HC

SUBJECT: Consolidated Energy Management Report

Attached is a copy of one page from the Consolidated Energy Management Annual Report for FY 1977. It has just been published this month, and I thought you mike like to note the things that the White House has done since you have been in office to implement energy savings projects.

I will get with Jerry Rafshoon to determine if there are additional benefits we can derive from our efforts in this area.



Utility Control Systems

Variously known as Central Control and Monitoring Systems, Utility Control Systems and Energy Management Systems, computer-controlled systems for the management and control of energy use in buildings or groups of buildings have been installed at many Federal locations. The systems are typically capable of controlling equipment startup and shutdown, adjusting heating and cooling fluid temperatures, maximizing the use of outside air for cooling and ventilation, adjusting electrical power demand, minimizing utilities consumption and optimizing overall energy utilization. Larger systems frequently incorporate fire detection and warning systems, equipment fault indication and maintenance reminders, and security systems. Completely automatic in operation, the systems are adaptable to any size of building, and can be tailored to meet any building operating schedule, special equipment features and utility supply characteristics.

The National Aeronautics and Space Administration has installed energy management systems at two major field facilities and plans to install an additional ten systems by mid-1981. Experience to date indicates that substantial savings in both energy and manpower can be achieved.

The Federal Aviation Administration, Department of Transportation, has installed energy management systems at each of its 20 Air Route Traffic Control Centers. Actual measurements show annual average savings of $33,000 per installation, reflecting savings of 805,000 KWH/year and more than 30,000 gallons of fuel oil per year.

The National Center for Toxicological Research of the Department of Health, Education and Welfare, has installed an energy management system to control energy use in a 17 building complex.

Additional systems have been or are being installed at the Federal Reserve System in Washington, D.C., at the Bureau of Engraving and Printing of the Department of the Treasury, at several Department of Energy installations, and at a large number of facilities of the Department of Defense.

White House to Implement Energy Saving Projects

Energy saving retrofit projects in the East and West Wings of the White House, and in the Old Executive Office Building have been found to be cost-beneficial, and are planned for implementation. These energy conservation projects include: replacing radiator thermostats and lamps, locking thermostat covers and providing automatic outside air control and tamper-proof thermostats, removing excess window air conditioning units and modifying circuit breakers. Implementation of the cost-beneficial projects will result in approximately an 11 percent reduction of energy consumption in the East and West Wings and approximately a 15 percent reduction in the Old Executive Office Building.

A series of operational energy conservation measures have already been implemented including reductions in the heating or cooling of outside air, locking of thermostats and controls, reduction of hot water temperatures, curtailment of steam usage above outside temperatures of 45 degrees Fahrenheit, elimination of excessive window air conditioning units, and the securing of heating and cooling equipment after duty hours, weekends, and holidays.

Together with the operational energy conservation measures already implemented, accomplishment of the planned projects should result in a 22 percent energy use reduction for the East and West Wings and a 24 percent reduction in the Old Executive Office Building.

Air Traffic Control Lighting System Reduces Electrical Use

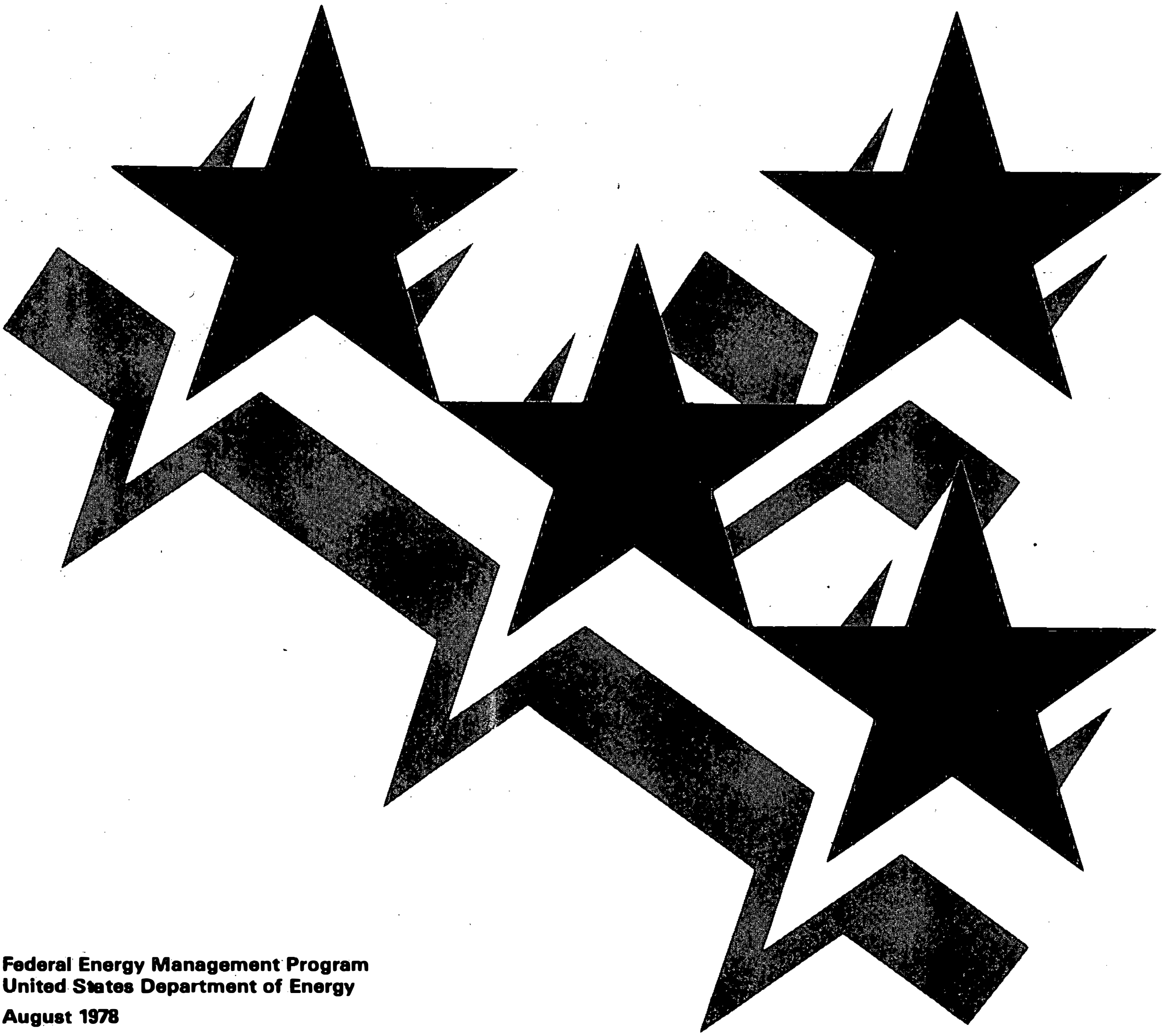
The Federal Aviation Administration (FAA) of the Department of Transportation has developed an energy management program concerned with energy consumption of the National Airspace System. One of the significant elements of the program is a new airfield approach lighting system designed to replace the sequenced flashing lights (ALSF-I) system, which requires 80.3 KW of electricity. This replacement system is a medium intensity short approach light system (MALSR) which requires only 9.2 KW of electricity. As an interim measure until the MALSR's can be installed, existing ALSF-I's are being modified to a simplified short approach light system (SSALSR) which draws only 25 KW of electricity. In addition, radio controls are being installed at fields with part-timed or no towers, so that the lights can be activated by a radio signal from an approaching plane. The lights will stay on for 15 minutes and then automatically switch off, thus saving significant amounts of energy. The lights can be reactivated at any time for an additional 15-minute period.

Recovery of ADP Heat Cuts Energy Needs for Heating Buildings

Automatic Data Processing (ADP) operations offer an area where significant savings can be realized. At present, the heat generated by ADP equipment is often discharged and wasted through such heat rejection devices as cooling towers, air cooled sensors, or dry coolers. This wasted heat can be recovered through heat reclamation systems to supplement building heat, to heat water, or to melt snow. The Department of the Treasury, Internal Revenue Service (IRS) will add a heat reclamation system to its National Computer Center at Martinsburg, West Virginia. Expected to be operational by early 1979, the system will save approximately $50,000 per year in fuel costs. IRS also plans to expand its Covington, Kentucky, Computer Service Center and add a heat reclamation system anticipated to yield 10-year savings of over $1.4 million. In addition, 9 other IRS service centers are planning to include ADP heat reclamation systems within the next few years.

Consolidated Energy Management Annual Report FY 1977

Final Draft
1 August 1978



Federal Energy Management Program
United States Department of Energy

August 1978

P

THE WHITE HOUSE
WASHINGTON

August 7, 1978

MR. PRESIDENT

HIS EMINENCE WILLIAM CARDINAL BAUM, ARCHBISHOP OF WASHINGTON, WILL SAY A MASS FOR THE POPE AT 12 NOON TODAY AT ST. MATTHEW'S CATHEDRAL.

HE HAS CALLED TO INVITE THE WHITE HOUSE STAFF.

PHIL

THE WHITE HOUSE
WASHINGTON

August 7, 1978

Zbig Brzezinski

The attached was returned in the President's outbox and is forwarded to you for appropriate handling.

Rick Hutcheson

THE WHITE HOUSE
WASHINGTON

7 August 1978

Patti--

I had not yet sent the original letter out, so I am forwarding that to you also so that you can send it to ZB in your normal way. I have sent information copies to Defense and Justice with the explanation that ZB will be commenting for the President.

Please send me copies of any memos which go out on this, and also the response.

Thanks.

Ev

FROM	SUBJECT	DISPOSITION	COMMENTS
REP. JOSH EILBERG (D) - PENNSYLVANIA	FORWARDS COPIES OF HIS CORRESPONDENCE WITH THE ATTORNEY GENERAL, AND EXCERPT FROM HEARINGS, CONCERNING THE NEED FOR YOU TO ISSUE AN EXECUTIVE ORDER TEMINATING THE VIETNAM HOSTILITIES, SPECIFICALLY WITH REFERENCE TO SECTION 329 OF THE IMMIGRATION AND NATIONALITY ACT; ENCLOSES COPY OF HIS LETTER TO THE SECRETARY OF DEFENSE, CONCERNING RECRUITMENT PRACTICES OF ALL THREE BRANCHES OF THAT DEPARTMENT WHICH ARE BEING FOLLOWED IN VIOLATION OF LAW; URGES THAT EXECUTIVE ORDER BE ISSUED PROMPTLY.	ACKNOWLEDGED BY FM REFERRED TO JUSTICE CC:DEFENSE,NSC 3/19 Comment	
SEN. BENNETT JOHNSTON (D) - LOUISIANA	RECOMMENDS J. NORMAN EFFERSON FOR THE BOARD FOR INTERNATIONAL FOOD AND AGRICULTURAL DEVELOPMENT.	ACKNOWLEDGED BY FM REFERRED TO PRESIDENTIAL PERSONNEL	
REP. FRED RICHMOND (D) - NEW YORK	RECOMMENDS HARVEY LICHTENSTEIN FOR THE NATIONAL CONFERENCE PLANNING COUNCIL ON THE ARTS.	ACKNOWLEDGED BY FM REFERRED TO PRESIDENTIAL PERSONNEL CC:PETER KYROS	
SEN. RUSSELL LONG (D) - LOUISIANA	RECOMMENDS J. NORMAN EFFERSON FOR THE BOARD FOR INTERNATIONAL FOOD AND AGRICULTURE DEVELOPMENT.	ACKNOWLEDGED BY FM REFERRED TO PRESIDENTIAL PERSONNEL	

NINETY-FIFTH CONGRESS

SUBCOMMITTEE ON IMMIGRATION, CITIZENSHIP, AND INTERNATIONAL LAW

JOSHUA EILBERG, PA., CHAIRMAN
ELIZABETH HOLTZMAN, N.Y.
SAM B. HALL, JR., TEX.
HERBERT E. HARRIS II, VA.
BILLY LEE EVANS, GA.
HAMILTON FISH, JR., N.Y.
HAROLD S. SAWYER, MICH.

Committee on the Judiciary
U.S. House of Representatives
Washington, D.C. 20515

GARNER J. CLINE, COUNSEL
ARTHUR P. ENDRES, JR., COUNSEL
MARTIN H. BELSKY, COUNSEL
ALEXANDER B. COOK, ASSOCIATE COUNSEL
FRANCES F. CHRISTY, LEGISLATIVE ANALYST

August 1, 1978

NSC
~~Ack. Fm/Justice~~
CONGRESSIONAL
LIAISON

AUG 4 1978
cc: Defense, ~~NSC~~ Justice

Honorable Jimmy Carter
The President
The White House
Washington, D. C.

My dear Mr. President:

I feel compelled to send you copies of my correspondence with the Attorney General, and excerpt from hearings, concerning the need for you to issue an Executive order terminating the Vietnam hostilities, specifically with reference to section 329 of the Immigration and Nationality Act.

Also enclosed is a copy of my letter to the Secretary of Defense, concerning recruitment practices of all three branches of that Department which are being followed in violation of law.

It is imperative that the Executive order be issued promptly.

Respectfully yours,

Joshua Eilberg
JOSHUA EILBERG
Chairman

JE:fcp

Enclosures

SJ06
FO00

NINETY-FIFTH CONGRESS

SUBCOMMITTEE ON IMMIGRATION, CITIZENSHIP, AND INTERNATIONAL LAW

JOSHUA EILBERG, PA., CHAIRMAN
ELIZABETH HOLTZMAN, N.Y.
SAM B. HALL, JR., TEX.
HERBERT E. HARRIS II, VA.
BILLY LEE EVANS, GA.
HAMILTON FISH, JR., N.Y.
HAROLD S. SAWYER, MICH.

Committee on the Judiciary
U.S. House of Representatives
Washington, D.C. 20515

GARNER J. CLINE, COUNSEL
ARTHUR P. ENDRES, JR., COUNSEL
MARTIN H. BELSKY, COUNSEL
ALEXANDER B. COOK, ASSOCIATE COUNSEL
FRANCES F. CHRISTY, LEGISLATIVE ANALYST

July 31, 1978

Honorable Griffin B. Bell
Attorney General
Department of Justice
Washington, D. C.

Dear Mr. Attorney General:

As your files will reflect, I wrote you on April 1, 1977 concerning the need to have the President issue an Executive order officially terminating the Vietnam hostilities for the purposes of section 329 of the Immigration and Nationality Act.

After discussing this matter in a hearing, I was advised by Assistant Attorney General, Patricia M. Wald, on March 23, 1978 that efforts to obtain the Executive order were being renewed and that every effort was being made "to resolve this matter as expeditiously as possible." A copy of that hearing is enclosed and your attention is invited to page 283.

The situation outlined in an article in the Washington Post dated July 31, 1978 entitled, "Illegal Aliens Join Armed Forces to Gain U.S. Citizenship" could not have happened if that Executive order had been issued in a timely fashion.

In my opinion, this delay is inexcuasable and I would appreciate a prompt and detailed reply on this entire matter, with an explanation as to the reasons for such delay.

Sincerely,

Joshua Eilberg

JOSHUA EILBERG
Chairman

JE:fcp

Enclosure

cc: Ms. Patricia M. Wald
Assistant Attorney General

NINETY-FIFTH CONGRESS

SUBCOMMITTEE ON IMMIGRATION, CITIZENSHIP, AND INTERNATIONAL LAW

JOSHUA EILBERG, PA., CHAIRMAN
ELIZABETH HOLTZMAN, N.Y.
SAM B. HALL, JR., TEX.
HERBERT E. HARRIS II, VA.
BILLY LEE EVANS, GA.
HAMILTON FISH, JR., N.Y.
HAROLD S. SAWYER, MICH.

Committee on the Judiciary
U.S. House of Representatives
Washington, D.C. 20515

GARNER J. CLINE, COUNSEL
ARTHUR P. ENDRES, JR., COUNSEL
MARTIN H. BELSKY, COUNSEL
ALEXANDER B. COOK, ASSOCIATE COUNSEL
FRANCES F. CHRISTY, LEGISLATIVE ANALYST

July 31, 1978

Honorable Harold Brown
Secretary of Defense
Department of Defense
Washington, D. C.

Dear Mr. Secretary:

I am outraged by an article in this morning's Washington Post entitled, "Illegal Aliens Join Armed Forces to Gain U.S. Citizenship." It is my understanding that enlistment in the United States Military Forces requires permanent residence in the U.S. and a declaration to become a citizen of the U.S. Aliens who enlist in the Armed Forces should have no difficulty establishing that they are, in fact, lawfully resident aliens. Further, their status as permanent resident aliens should be easily verifiable with the Immigration and Naturalization Service.

The provision of law, section 329 of the Immigration and Nationality Act, under which these illegal aliens are allegedly petitioning for citizenship, states that aliens who enlisted in the United States Armed Forces in the U.S. may be naturalized if they served "during a period beginning February 28, 1961 and ending on a date designated by the President by Executive order as the date of termination of the Vietnam hostilities...".

The fact that the President has not seen fit to issue an Executive order terminating the Vietnam hostilities, does not relieve recruiting personnel of the Department of Defense from making accurate findings concerning eligibility for enlistment.

I urge you to make an immediate investigation of this entire practice. I will appreciate very much being advised of the steps you intend to take in that regard.

Sincerely,

Joshua Eilberg

JOSHUA EILBERG
Chairman

JE:fcp

THE WHITE HOUSE
WASHINGTON

August 7, 1978

Stu Eizenstat
Frank Moore

The attached was returned in the President's outbox today and is forwarded to you for your information. The original has been sent to Secretary Califano.

Rick Hutcheson

cc: Jack Watson

THE WHITE HOUSE

WASHINGTON

August 7, 1978

MEMORANDUM FOR

THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE

Our legislation on the International Year of the Child was introduced in the Congress some time ago. No progress has been made on this bill because no agency has taken responsibility for its success. I am sure you agree that this is important legislation and share my concern for its success. Please assign the appropriate members of your staff to assume responsibility for this legislation and press for its passage by this Congress, and coordinate your effort with Stu Eizenstat.

Jimmy Carter

Retype

THE WHITE HOUSE

WASHINGTON

August 5, 1978

MEMORANDUM TO: THE PRESIDENT

FROM: STU EIZENSTAT Stu FRANK MOORE /by Les Francis
ELLEN GOLDSTEIN

SUBJECT: Note to Secretary Califano
International Year of the Child

The administration bill on the International Year of the Child (IYC) is currently languishing in Congress because no agency has taken the lead to lobby in its behalf. The bill was introduced by Chairman Sparkman of the Foreign Relations Committee some time ago and has not been assigned to a subcommittee. Last week, it's $1.3 million appropriation request was killed by Senator DeConcini. Several Senators, including Cranston, McGovern, Mathias, and Culver, are concerned over the bill's fate and apparent lack of White House support.

Recently, you signed an executive order creating the Commission and named Jean Young to head the IYC Commission. This legislation is very important to us and should have our strong support. We therefore request that you send the attached note to Secretary Califano indicating your concern over the IYC legislation and that HEW take the lead in lobbying for the legislation in Congress. My staff will continue to monitor the progress of the legislation and work with HEW and Hill staff on strategy.

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR

THE SECRETARY OF HEALTH, EDUCATION AND WELFARE

Our legislation on the International Year of the Child was introduced in the Congress some time ago. No progress has been made on this bill because no agency has taken responsibility for its success. I am sure you agree that this is important legislation and share my concern for its success. ~~I am therefore directing you to~~ Please assign the appropriate members of your staff to assume responsibility for this legislation and press for its passage by this Congress, and ~~Please~~ coordinate your effort with Stu Eizenstat.

THE WHITE HOUSE

WASHINGTON

C

August 7, 1978

Mr. President -

You were scheduled to see Cardinal Cooke of New York on Friday, August 11.

He called this morning. He must travel to Rome late tomorrow night and could be there well into September. He asks that we try and find a few minutes while you're in New York tomorrow.

You have an hour and a half between the reception and departure for the theater. You could ask him to come to Gracie Mansion during that time, or we could simply say the schedule does not allow.

✓ stop by Gracie Mansion brief!

_______ postpone until September

FRAN

Rick –
I told Fran

Neil

9:00 AM

THE WHITE HOUSE

WASHINGTON

C

August 5, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: JACK WATSON Jack
GENE EIDENBERG Gene

SUBJECT: Proposed Agenda for the Cabinet Meeting
Monday, August 7, 1978

I. Miscellaneous Items.

-- Warren Christopher will attend the Cabinet Meeting for Cy Vance.

-- Frank Carlucci will attend for Admiral Turner.

-- Comments on your trip to Virginia and North Carolina.

-- You may wish to comment on the Administration's relations with Speaker O'Neil. I know Frank would appreciate an expression of your personal support to the Cabinet.

II. Domestic Affairs.

-- Status reports:

o Energy/Natural Gas Deregulation Compromise--Schlesinger ✓

o Tax Bill/proposed Fisher/Corman Compromise--Blumenthal ✓

o Civil Service Reform--Scotty Campbell (Last week, CL assigned a large number of Congressional calls on Civil Service Reform to members of the Cabinet. You may want to note that Secretaries Andrus, Bergland and Brown did an extraordinary job of completing their calls within three days and providing excellent reports to CL.)

- o Urban Policy:
  - Supplemental Fiscal Assistance Bill--Blumenthal
  - State Incentive Grant Program--Harris
- o Airline Deregulation and Noise Bills--Adams
- o DOD Appropriations in House--Brown (Floor vote on the additional carrier is scheduled for Monday.)
- o Alaska Lands D2--Andrus
- o Latest Unemployment Statistics--Marshall/Schultze

-- Bob Strauss has asked that you address the anti-inflation issue during the Cabinet meeting. He suggests that you make the following points:

- o Controlling inflation is the major domestic concern of the Administration. Our efforts need the active attention and support of every member of the Cabinet.
- o The EPG has under it a Working Group on Efficiency and Cost Reduction. It is co-chaired by Bo Cutter and Lee Kling with Charles Duncan, Dan Brill, Doug Costle and Alfred Kahn serving on it. The group has selected a number of programs and areas where possible FY 1979 cuts could be made.

  They will shortly send the senior OMB staff to discuss their proposals with each Department and Agency. Please give them your full cooperation.
- o Bob Strauss has asked each of you to consider sending letters asking for deceleration commitments to corporations in your sector of the economy and to designate three Department anti-inflation speakers. Please cooperate.
- o We in government must set an example of belt-tightening to secure support from the private sector. I want each of you to develop meaningful counter-inflationary programs in your Departments, and to keep Bob Strauss informed of what you are doing.

III. <u>Foreign Affairs</u>.

-- Warren Christopher is prepared to brief the Cabinet on the reaction and consequences in the Eastern Mediterranean to the lifting of the Turkish Arms Embargo.

-- Status Report on the Foreign Aid Bill--Christopher.

cc: The Vice President

[illegible]
Note C's handwriting on message

August 7, 1978

To David Jakupko

I deeply appreciate your comments about the strength of religion, and your expression of confidence and support. Thank you for letting me hear from you.

Sincerely,

[illegible]

Mr. David V. Jakupko
9641 Accord Drive
Potomac, Maryland 20854

JC/sc

strength of religion, confidence
33 780807-1135

Susan
brief "nth"
LMS

J

David V. Jakupko
9641 Accord Drive
Potomac, Maryland 20854
(301)299-2162

August 6, 1978

Dear President Carter,

It is a great honor for me to be able to attend Sunday School and Church Services with you this morning. I also had the opportunity to be able to attend your roundtable discussion on Thursday evening, which proved very enlightening for me.

I read last evening about your speech to an open-air audience in North Carolina, recalling that you first discussed your being a born-again Christian in North Carolina during your presidential campaign in March of 1976. It is a great encouragement for me to see that the leader of the greatest nation in the world is such a strict believer in God. For the most part, America has just about everything it needs and requires to function, however, if there is one shortage, I think that this may be in the area of love for God. We are so fortunate that God has given us so many wonderful things, a great nation, healthy families, friends, food, and the freedom to practice our Belief, yet there is so much talk nowadays that "God is Dead", "There is no God.", etc. If God is dead or if there is no God, then from where have these things come? From "the clear blue sky?" If we fail to recognize that all of these things are coming to us by the grace of God, and that they are meant to be used to glorify Him, then there is every chance that these most glorious gifts will simply become a burden to our lives or God may take them away.

I feel that I am quite insignificant in this great world, thus my opinion is not of much value in being used as a measure, but I know that by your being such a devout believer in God, and expressing it so openly, this is showing everyone exactly what this country and world needs, the revival of everyones love for God.

You mentioned also in Wilson, that as a Baptist you believe in the separation of Church and State. You then went on to say, "Those guidelines that often control our lives or that always should control our lives should also control our nation. We know our nation's inherent strength derives to a major degree from a Belief in God." I know for a fact, that if we simply made our lives more God-conscious, then we would be much better people to live with and this world would be a much better place in which to live. This is the answer to so many of the present-day problems in the world.

I feel that with your firm belief in God, and your commitment to use this belief as a yardstick in your everyday life, you are the person and President to lead this Nation, deliver this message and set the example as to the proper path in life. I pledge my support and prayers for you to be given the strength, guidance and assistance in leading this wonderful Nation of ours.

Thank-you for taking the time to read this letter. I remain,

Sincerely yours,

David V. Jakupko